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Algeria... 6.00 Dn. Israel... 15.50 N.Y. Norway... 6.00 N.Y.
Australia... 17.50 Dn. Italy... 12.00 Dn. Oman... 0.70 N.Y.
Belgium... 40.00 Dn. Japan... 160.00 Dn. Portugal... 20.00 Dn.
Canada... 1.25 Dn. Saudi Arabia... 1.00 Dn. Qatar... 0.50 N.Y.
Czechoslovakia... 1.00 Dn. Spain... 160.00 Dn. Romania... 1.00 Dn.
Denmark... 7.00 Dn. Sweden... 1.00 Dn. Syria... 1.00 Dn.
Egypt... 1.00 Dn. Switzerland... 1.00 Dn. Turkey... 1.00 Dn.
France... 1.00 Dn. Taiwan... 1.00 Dn. U.S. \$1.00 Dn.
Germany... 1.00 Dn. Thailand... 1.00 Dn. U.S. \$1.00 Dn.
Greece... 1.00 Dn. Tunisia... 1.00 Dn. U.S. \$1.00 Dn.
Hungary... 1.00 Dn. U.A.E. 1.00 Dn. U.S. \$1.00 Dn.
India... 1.00 Dn. USSR 1.00 Dn. U.S. \$1.00 Dn.
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ESTABLISHED 1887

Egypt Claims It Faked Report Of Assassination to Trick Libya

By David B. Ottaway
Washington Post Service

CAIRO — President Hosni Mubarak said Saturday that a Libyan opposition figure reported by Libya to have been assassinated in Cairo was alive and that Egyptian security agencies had tricked Libya's leader, Colonel Moamer Qadhafi, into believing he was dead.

Mr. Mubarak said the assassins sent to kill Abdel Hamid Bakoush, a former Libyan prime minister, had been arrested before they could act and forced to send "fake pictures showing him to be critically injured and lying in a pool of blood" to the Libyan Embassy in Malta.

"It was surprising and strange that Libyan officials scrambled to inform Qadhafi of the news of Bakoush's assassination," Mr. Mubarak said, clearly pleased with the success of the Egyptian operation.

Egypt's interior minister, Ahmed Rushdi, triumphantly presented the intended victim at a press conference, saying: "Abdel Hamid Bakoush is alive. He did not die as Qadhafi said."

Mr. Rushdi said two Britons and two Maltese had been arrested in the assassination attempt.

There were few details on how

Egyptian security blocked the plot. But Mr. Mubarak made it clear he felt Egypt had scored a major coup against Colonel Qadhafi, who arrived Saturday in Malta on an official visit.

Mr. Mubarak also said that "other terrorist plans" were being made to kill Chancellor Helmut Kohl of West Germany and King Fahd of Saudi Arabia and to overthrow the regime of Mohammed Zia ul-Haq in Pakistan and install the son of Zulfikar Ali Bhutto, the late opposition leader.

Mr. Rushdi said his press conference had been postponed for several hours to give the authorities in other countries time to act on information from the would-be assassins about other alleged Libyan terrorists operating abroad.

An official in Bonn, asked about West German reaction to Mr. Mubarak's charge of a terrorist plot against Mr. Kohl, noted that Libya had recently been interested in improving relations with West Germany. He suggested that Mr. Mubarak's allegation might be an effort to undercut relations between Bonn and Colonel Qadhafi.

[Libya denied allegations of a "general Libyan terrorist plan" against other countries, Agence France-Press reported Sunday

from Paris. The statement, which did not deal with the assassination plot, said: "allegations of a broad terrorist plot were aimed at destroying the relations of 'fraternity, cooperation and friendship' between Libya and other countries."

Mr. Mubarak, in remarks quoted by the Middle East News Agency, said Saturday that he had first heard about the plot to assassinate Mr. Bakoush during a visit in October to Bonn. It was unclear whether he learned of it through West German sources or his own intelligence agencies.

Mr. Mubarak said Mr. Bakoush was provided security and taken Monday to Aswan from his home in the Cairo suburb of Heliopolis. His assassination was reported Friday afternoon by the official Libyan press agency, IANA.

"We were able to arrest the group that planned to assassinate Bakoush, who was in Aswan while preparations were under way for this operation," Mr. Mubarak said.

"We gave fake pictures showing him to be critically injured and in a pool of blood, and these pictures were sent to the Libyan leadership by those terrorists through the Libyan Embassy in Malta," he said.

Mr. Rushdi said the fake pictures and other confirmation of what ap-



Interior Minister Ahmed Rushdi of Egypt displayed Saturday a photo showing Abdel Hamid Bakoush, left, covered with blood. Mr. Rushdi said the photograph was faked by the Egyptian authorities to trick Libya into thinking that Mr. Bakoush had been killed.

peared to be a successful assassination were delivered from Malta to Colonel Qadhafi while he was meeting Thursday with President François Mitterrand of France on Crete.

Colonel Qadhafi, according to Mr. Rushdi, then ordered the Libyan press agency to announce the supposed assassination and ordered payment of \$250,000 to the plotters.

Mr. Rushdi identified those arrested as Godfrey Philip Chimer, 47, and Anthony William Gill, 48, both British citizens, and Romeo Nicholas Chakambers, 42, and Edgar Cachia, 40, both citizens of Malta.

Mr. Bakoush, 46, has lived in exile in Egypt since 1977. He escaped from Libya after being imprisoned by Colonel Qadhafi. Mr. Bakoush was prime minister from 1967 to 1968 under King Idris, who was overthrown by Colonel Qadhafi in 1969.

The Libyan press agency, in announcing Friday that Mr. Bakoush had been killed by a Libyan "suicide squad," said the "execution" had been carried out Monday at 3 P.M.

It was not clear why Colonel Qadhafi would try to assassinate Mr. Bakoush.

(Continued on Page 2, Col. 7)

U.S. to Step Up Soviet Contacts As Hopes for Arms Talks Rise

By Bernard Gwertzman
New York Times Service

WASHINGTON — Administration officials say they will give priority in coming weeks to private discussions with Russian officials in the hope of beginning high-level talks early next year on arms-control issues.

After a year in which negotiations on nuclear arms-control issues have been suspended, administration officials now say that, in the aftermath of Ronald Reagan's re-election, signs of movement toward the bargaining table have become apparent in recent statements from both Moscow and Washington.

State Department officials said Saturday that the most encouraging signs occurred Friday when Konstantin U. Chernenko, the Soviet leader, responded to questions posed by NBC News. He urged a renewal of the spirit of détente present in the 1970s and said Moscow was ready for arms-control talks. He issued no demands and listed no conditions for returning to the table.

Mr. Chernenko said that if the Reagan administration was sincere, the way was open to resolving key arms-control questions.

He said that if the comments made recently by the Reagan administration "with regard to the desire to seek solutions to problems of arms limitation do not remain just words, we could, at last, start moving toward more normal relations between our two countries and toward a more secure world."

In response to a question on whether he would be willing to meet with Mr. Reagan within the first six months of his second term, Mr. Chernenko said, "A summit meeting is capable of providing a powerful impetus for constructive development of the mutual relations if such a meeting results in achieving major, clearly defined goals."

"Can it be said that the conditions now are ripe for a Soviet-American summit meeting to yield the expected results?" Mr. Chernenko asked rhetorically. "Frankly, I do not think so. When there is confidence with regard to the success and positive results of a summit meeting, then it will not be difficult to set a date for holding such a meeting."

Administration officials said

George P. Shultz, the U.S. secretary of state, would increase talks in Washington with Ambassador Anatoli F. Dobrynin. Talks between Foreign Minister Andrei A. Gromyko and the U.S. ambassador in Moscow, Arthur A. Hartman, are also to be stepped up, they said.

The talks would explore ways of resuming negotiations, possibly in the form of wide-ranging conferences that Mr. Reagan has called "umbrella talks," the U.S. officials said.

Administration officials said they also expected some sharp disputes within the administration to clarify the U.S. position on arms-control issues.

"We are far from unanimous," a State Department official said.

The text of Mr. Chernenko's remarks was revealed to Mr. Reagan on Friday afternoon while he was meeting with Mr. Shultz and Robert C. McFarlane, the national security adviser, a White House official said Saturday. Because they viewed the Chernenko comments as so forthcoming, Mr. Shultz was authorized, in a follow-up interview with NBC, to respond positively.

Mr. Shultz, after describing Mr. Chernenko's comments as "a positive statement," added:

"And so now what we have to do is basically move from the various public statements that have been made by Chernenko, by President Reagan, back and forth, into the private process of diplomacy and really sit down in small groups and work concretely on problems and look for real results."

But other administration officials said Mr. Shultz was not completely candid. They said that despite various public proposals by Mr. Reagan for holding "umbrella talks" as a catalyst for the suspended nuclear discussions, the administration still lacked a position on what to propose if the negotiations resumed.

They said the State Department, led by Mr. Shultz and his principal arms-control advisers, such as Richard R. Burt, assistant secretary for European and Canadian affairs, remained much more disposed to making concessions as part of a give-and-take in negotiations than did the Defense Department, headed by Defense Secretary Caspar W. Weinberger and his chief aide, Richard N. Perle.

Chad: Embarrassment for France, a Problem for U.S.

By John Vinocur
New York Times Service

PARIS — Colonel Moamer Qadhafi's success in bluffing French troops out of Chad while keeping a contingent of his own army in place has created not only deep embarrassment for President François Mitterrand of France, but also problems for the United States.

Perhaps more than the Reagan administration would have wished, the botched withdrawal process in Chad appears to be leading the United States into a more visible role in the future of the fragmented country.

The potential difficulties involving the United States became apparent last week when France announced that French and Libyan

troops had totally withdrawn from Chad.

Six days later, however, after a meeting between Mr. Mitterrand and Colonel Qadhafi on the Greek island of Crete, the French acknowledged knowing all along that the Libyan pullout was incomplete.

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With up to 1,200 men still holding positions north of the capital of Nijamena.

The French admission came after the State Department, on the basis of U.S. satellite photos, disclosed that Colonel Qadhafi had not kept his part of the deal between France and Libya to withdraw their troops. About 3,000 French soldiers had been in Chad

at the request of Nijamena government since August 1983 when Libya sent an expeditionary force of about 5,500 men into the country to support insurgents.

On Sunday, the general staff here said that France had resumed observation flights over Chad. But with the Libyan forces remaining, and the Mitterrand government's credibility damaged by the discrepancies in its statements on their presence, the United States has stepped into a situation leaving it as the prime source of information on what is happening on the ground in Chad.

Since France said its forces would return to Chad if Libya returned — before acknowledging that the Libyans never left — the United States by its own initiative

has become a kind of monitor of whether Mr. Mitterrand keeps his word.

The situation is an awkward one, through the potential for strain in the generally excellent relations between France and the United States, and because of the Reagan administration's stated unwillingness to let Colonel Qadhafi hold military veto power over an African country.

Complicating the situation further is a statement made after the Crete meeting by Andreas Papanastasiou, the Greek prime minister, who attended the French-Libyan talks. He said that Mr. Mitterrand accepted the principle of Libya's right to "defend itself in the region" if any "third country" became involved in Chad's affairs.

Britain Moves Nearer to Pulling Out of UNESCO

By Paul Lewis
New York Times Service

PARIS — Britain has told its principal allies that it is prepared to follow the Reagan administration's example and notify UNESCO that it intends to withdraw from the organization in a year unless it agrees to further changes in the way it operates, according to Western diplomats.

The British move has touched off a flurry of diplomatic activity, the diplomats say. Many countries are urging Britain to stay in the agency, the United Nations Educational, Scientific and Cultural Organization. Others want Britain to try to persuade the Reagan administration to postpone for a year its planned departure from UNESCO in December and join in a final push for change.

Britain's European Community partners have told London that they do not want it to submit the formal one-year notice of withdrawal that UNESCO's charter requires, the diplomats say. They are urging Britain, at least for now, to continue working for change as a full member.

The Commonwealth nations have also urged Prime Minister Margaret Thatcher's government to remain in UNESCO.

Britain first told its European allies that it was leaning toward withdrawal at a meeting of senior Foreign Ministry officials in Dublin two weeks ago, diplomats say. The other officials reportedly said they hoped Britain would not take the step.

The British minister of overseas development, Timothy Raison, who is responsible for relations with UNESCO, later said that recent efforts to reduce the politicization of the agency and improve its efficiency "have not achieved much so far."

Britain has only two options, he said. Either it serves notice that it will leave UNESCO after the next major meeting in Sofia next October unless further policy changes are agreed upon, or it delays a final decision until after the Sofia meeting.

Since then, the British government has consulted with a number of its European allies, including West Germany and the Netherlands, which have strongly criticized UNESCO practices. Diplomats say both countries urged Britain not to give formal notice of its planned withdrawal this year.

As a result, the European countries have asked the European Community's governing council of foreign ministers to discuss the community's relations with UNESCO at their next meeting, scheduled Tuesday in Brussels.

Diplomats say, however, that many European governments believe a British withdrawal notice is inevitable. Therefore, they are urging Britain to try to persuade the Reagan administration to delay its planned December departure for a year, in exchange for a formal British notice that it plans to leave UNESCO at the end of 1985.

Together, the United States and Britain give UNESCO 32 percent of its budget. If both countries were committed to withdrawal from the organization in a year, the Europeans argue, the West as a whole would have more power to persuade other developing and Soviet-bloc members to agree to the changes the West wants in UNESCO practices.

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Saudis, Jordanians Expected to Get U.S. Arms Despite Israeli Protests

By Leslie H. Gelb
New York Times Service

WASHINGTON — With the presidential election behind them, Reagan administration officials say they are again looking at multi-billion-dollar requests from Saudi Arabia and Jordan for advanced weapons.

To Israeli and American officials, the decisions will have profound implications for the regional military balance, the Israeli economy and the Middle East peace process.

Administration officials indicated that approval was likely for additional high-performance aircraft and a variety of missiles for the Saudis, and for new kinds of mobile surface-to-air missiles and air-defense radars for the Jordanians.

Israeli officials and U.S. backers of Israel have been telling White House and State Department officials that the quality and quantity of these arms would be a serious blow to Israeli air power and thus to the heart of Israeli military superiority.

The Israelis also say they would have to spend a lot more to counter these new weapons. This would happen at the very time Israel and the United States are hoping to see further cuts in Israel's military spending to cope with an economic crisis. Even without approval from the administration of new arms for Arab nations, Israeli officials have said their government

will ask for an increase in U.S. military and economic aid, which is now at \$2.6 billion.

The main options for the administration are to send all major Israeli and Arab arms requests to Congress early in February, when administration officials say they feel President Ronald Reagan's power will be at its height, or to have them trickle out over the course of the next year or two to avoid a single all-out fight.

The main push for the new arms sales is said to be coming from military and civilian leaders in the Pentagon, and from parts of the White House and State Department.

Some officials have said the sales were necessary to keep the Soviet Union out of the Jordanian market, where it has recently made inroads, and to maintain good relations with Arab moderates and a positive climate for reconsideration of President Reagan's Middle East peace plan. Under that plan, Israel would allow the association of the West Bank and Gaza Strip with Jordan in return for peace.

On Friday, King Hussein of Jordan was quoted in an interview with the Egyptian newspaper Al-Ahram as saying that Jordan had begun looking to the Soviet Union as well as to Western Europe for weapons because the United States had imposed conditions that he found "unacceptable, humiliating and prejudicial to our national honor."

Secretary of State George P. Shultz is described as generally in favor of the Saudi requests but reluctant to upgrade Jordanian arms, especially given Hussein's criticisms of the Reagan peace plan.

What is called the Jordanian "wish list" includes 6 mobile improved Hawk surface-to-air missile batteries, with the hope of ultimately getting as many as 26 batteries; 36 F-16 fighter aircraft, with the eventual goal of 72 of these or the somewhat less-advanced F-20; 4 C-130 Hercules air transports; M-1 Abrams tanks; TFS-43 and TFS-63 air-defense radars, and Stinger shoulder-fired surface-to-air missiles.

To the Israelis, the most objectionable item is the F-16, which would be a significant improvement over the F-5s Jordan now has. The officials said the administration was unlikely to approve the F-16s, but the mobile-improved Hawks could well be approved. These are almost as worrisome to the Israelis as the F-16s. Jordan now has Hawk batteries that are centered down facing Syria.

The Saudi requests are mostly for upgrading existing weapons or buying additional weapons. Their "wish list" includes 25 to 40 F-15Cs or F-15Es with land-attack ability, with the goal of 60 F-15s in addition to their current force; MER-200 multiple ejection bomb racks for the F-15s; and additional fuel tanks to extend their range as well

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MOTHER'S HOME — Anna L. Fisher, one of the five astronauts of the space shuttle Discovery, hugs daughter Kristin in Houston after end of shuttle's mission. Page 3.

Thousands Were Lured Into Slavery on Drug Farms in Mexico

By Juan M. Vasquez
Los Angeles Times Service

CHIHUAHUA, Mexico — When Ramon Efrén Hernández jumped down from the truck that delivered him to the marijuana farm in this desolate part of northern Mexico, he realized he had been lured into a trap.

Mr. Hernández had been recruited in the northwestern state of Sonora to harvest apples at \$15 a day, an attractive wage for a Mexican farm worker, but he never saw any money. He never saw any apples, either.

Instead, Mexican authorities say, Mr. Hernández and 7,000 other peasants became slave laborers in a gigantic harvesting operation that has led to the seizure of at least 4,000 tons of marijuana at three sites in the state of Chihuahua over the past few days.

"We believe this to be the largest marijuana seizure in history," Bill Deac, a spokesman for the U.S. Drug Enforcement Administration in Washington, said in a telephone interview. "We are very impressed by this operation."

DEA agents went along as observers on the raids and verified Mexican estimates of

the amounts of marijuana seized and burned. By comparison, Mr. Deac said, the largest previous marijuana haul on record, in Colombia in 1978, was 574 tons.

Nine Mexicans have been arrested and charged with cultivating marijuana and illegally depriving 7,000 people of their liberty. Warrants have been issued for the arrest of nine persons who were believed to have headed the operation. Names on the warrants have not been made public.

The first of the present series of raids was carried out last Thursday on a farm near the village of Bufalo, about 40 miles (64 kilometers) southeast of this state capital. Since then, a combined force of 440 Mexican soldiers and federal police agents have been burning the confiscated marijuana crop.

"We found marijuana in the fields, marijuana that had been harvested and left out to dry, and marijuana that had been processed and was ready for shipment," said Eduardo Andrade, an official of the Mexican attorney general's office.

The farms that have been raided are relatively small, 40 acres to 200 acres (16 hec-

ares to 80 hectares), and located far from any roads. There is no way for the laborers, recruited from the neighboring states of Sonora, Sinaloa and Guerrero, to communicate with anyone outside.

"The guards told us no one was forced to work here and that we were free to leave when we wanted," Mr. Hernández recalled, "but then they'd glance at their rifles and smile. We knew we were dead if we tried to leave."

Armed guards patrolled the farms around the clock and kept the workers going from dawn to dusk, according to Mr. Hernández. Meals consisted of thin soups of beans and potatoes, occasionally with rotten meat.

Mr. Hernández, who worked at the farm near Bufalo, said he heard of the job from a friend in Sonora and signed on eagerly when he was promised 3,000 pesos a day, the equivalent of \$15. After an overnight truck ride from Sonora in early October, he and dozens of other workers arrived at Bufalo and were put to work harvesting the marijuana crop. Others at the camp had planted 11

"If you didn't work hard or they thought you were slacking, you'd get a hell of a beating," Mr. Hernández said. "Then they'd put you to work plucking the droppings off the discarded stalks. That was the worst job."

His job consisted of cutting off the marijuana leaves with scissors and then cutting the leaves into pieces.

At night, the laborers at Bufalo slept outdoors, he said. A few were supplied with blankets. Workers at one of the camps slept in buildings described by Mr. Andrade, the official from the attorney general's office, as "huge chicken coops." These buildings, plus the sheds and warehouses where the marijuana was processed and stored, were destroyed by the army, he said.

According to peasants who worked on the farms, the harvest started in September and trucks loaded with tons of marijuana left every day. Mr. Andrade said the trucks were headed toward the U.S. border.

Since the raids, the 7,000 laborers en-

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WORD FROM SAKHAROV — This photo of Andrei D. Sakharov, the Soviet dissident, and his wife, Yelena G. Bonner, was received Friday by Mrs. Bonner's daughter to show that the couple was still alive. Page 2.

Bundestag Debate on Flick Scandal Fails to Clear the Air

By Henry Tanner

International Herald Tribune

BONN — Chancellor Helmut Kohl had hoped that the full-scale debate in the Bundestag on the Flick scandal and the more general issue of party financing would clear the air. He also hoped to restore the credibility of the political parties that has hardly ever been lower, according to reports from provincial politicians.

The debate was held last Friday. But the air has not been cleared.

Each party excused its own lack of financial rigor by accusing its opponents of even greater misdeeds. And

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although a trial on bribery charges against former Economics Minister Otto Lambsdorff and other defendants is due to begin in January, some government speakers blamed the scandal on a wicked campaign by a hostile press.

The positive result of the debate was that it shifted the focus to the future, namely to a long-overdue reform of the laws and the practices governing the ways by which the political parties, including the opposition Social Democrats, have been filling their party coffers.

While the Social Democrats did not join the government parties in a joint declaration on the objectives of such a reform, it is clear that all the parties are now committed to accepting stricter rules and much fuller public accounting.

The parties will take many months to come to an agreement on how this can be done.

There is apt to be delay also because the government's latest law on the subject, passed late last year against the votes of the opposition, has been referred to the Constitutional Court in Karlsruhe, the country's highest tribunal. Political commentators say that the law, which was put together hastily, has so many flaws that it will be declared unconstitutional by the court.

With the court's action pending and the Lambsdorff trial expected to last many months, Friday's Bundestag debate may have brought the parties a breathing spell but no permanent relief.

This is not good news for Chancellor Kohl and his coalition.

The chancellor had insisted, against the advice of other members of the government, that the debate was necessary to clear the air. But he himself decided not to speak. He left the task of defending his party against opposition charges to Finance Minister Gerhard Stoltenberg and the party secretary, Heiner Geissler.

Mr. Kohl's silence did not enhance his image as a leader, politicians said afterward.

Unflappable and amiable as he is — "a Teutonic Reagan," a Western diplomat called him last week — he was not seen as a strong leader even before the Flick scandal and its ramifications began to dominate the political scene.

He has been feuding with the Bavarian state premier, Franz Josef Strauss, and has had frequent squabbles with his other coalition partner, the Free Democrats of Foreign Minister Hans-Dietrich Genscher, a small party that will be fighting for survival in regional elections next spring.

Among other criticisms, commentators have noted that Mr. Kohl has not personally led the "moral and spiritual renewal" that he promised the voters and that he did not assert himself at the time of the various "accidents" that have beset his administration. One of the worst "accidents" was the Kiesling issue. Defense Minister Manfred Wörner summarily decided to discharge General Günter Kiesling, West Germany's highest-ranking officer in the North Atlantic Treaty Organization, from the army because of rumors that the general had been frequenting a hang-out for homosexuals in Cologne.

Then, on Mr. Kohl's orders, he was just as summarily rehabilitated when the rumors were found to be false but Defense Minister Wörner was also kept in office.

Mr. Kohl has also been identified with an abortive plan to give amnesty to people facing prosecution for having claimed illegal tax deductions on donations to political parties. Coming during the Flick affair and at the time of the indictment of Mr. Lambsdorff, the plan caused a public outcry and was scrapped when the Free Democrats turned against it and said they would help defeat it in Parliament.

In a recent opinion poll, Mr. Kohl was rated a poor third behind former Chancellor Helmut Schmidt and Mr. Stoltenberg. On a scale of plus 5 for excellent to minus 5 for very poor he rated 0.7 plus points. Mr. Stoltenberg had 1.1 and Mr. Schmidt an amazing 2.4 points.

With increasing frequency the question is being asked whether Mr. Kohl can maintain himself in office for the whole term of the present coalition. The next general election is due in 1987.

If Mr. Kohl should falter before then, the man most likely to succeed him is Mr. Stoltenberg, whose power and prestige in the coalition has been steadily growing.

Mr. Stoltenberg is largely credited with keeping the economy on an even keel. His statesmanlike posture in



Chancellor Helmut Kohl and his wife during Bonn's annual federal press ball Friday.

Friday's debate in which he called for a new consensus of the parties has further enhanced his standing.

Mr. Kohl's troubles are mitigated by the fact that the Social Democrats, who lost power in March last year, have not been able to convert themselves into an effective opposition party and are bogged down in an endless internal debate on basic foreign and domestic policies.

The only party to have gained from the scandals are the Greens.

The five-year-old party did not exist when the financial irregularities occurred.

The Greens, moreover, were the first party to campaign for the protection of forests and for pollution

issues that now rank above the Pershing-2 missiles as concerns of the voters.

The Greens are rapidly replacing the Free Democrats as the third party in the country. The Free Democrats have lost ground in all national, regional and local elections since they brought down Mr. Schmidt's government by deserting his coalition and entering a new one with Mr. Kohl's Christian Democrats.

Through Mr. Lambsdorff, the Free Democrats have been particularly hard hit by the Flick scandal. Their losses are expected to continue in the coming regional election. Yet their existence, which is in doubt, is vital to the government coalition.

Opposition in Nicaraguan Assembly Vows Strong Challenge to Sandinists

By Stephen Kinzer

New York Times Service

MANAGUA — Leaders who have won seats in the new National Assembly say they intend to present a strong challenge to the governing Sandinist National Liberation Front.

"When the assembly convenes in January, the Sandinists will be facing a strong and belligerent opposition, most of which was elected on explicitly anti-Communist platforms," Adolfo Evertz Velez, a leader of the Socialist Party of Nicaragua, said in an interview last week. "They are going to have to make concessions."

The opposition's determination to press its demands indicates that the assembly will reflect a relative diversity of views. But key decisions that will determine the power of the assembly, such as whether it will have the power to approve the national budget, remain to be made.

The Sandinists did not fare as well in the election as some of its leaders predicted. It took 61 seats in the 96-member assembly. Its presidential candidate, Daniel Ortega Saavedra, won 63 percent of the vote, less than his aides had predicted.

"The results show that we have problems in some areas," said Rafael Solis Cerda, a Sandinist specialist in electoral and parliamentary matters. "A significant number of Nicaraguans obviously do not

understand or support what we are doing. We will have to take this into account."

The three non-Marxist opposition parties — the Popular Social Christians, the Democratic Conservatives and the Independent Liberals — won 29 seats in the assembly. Their leaders said the opposition's first priority would be to assure that Nicaragua's new constitution was democratic in character.

The opposition is also expected to press for revision of the military draft and for major changes in other important Sandinist programs.

"The first thing we bear in mind is that we were elected as critics of the Sandinist Front and as a party with a program different from the Sandinist program," said Luis Humberto Guzman, a 31-year-old graduate student who will head the bloc of six deputies from the Popular Social Christian Party.

The Democratic Conservative Party is the most pro-capitalist or-

ganization represented in the assembly and, with 14 deputies, will be the largest opposition force.

"We will fight any proposal that is Marxist in nature or that limits people's freedom to produce and sell as they please," said Gustavo Mendoza Hernandez, a deputy-elect from Managua. "There will never be another Cuba here, never."

The Independent Liberal Party won nine seats in the assembly, but its leaders quit the campaign shortly before election day to protest what they said was harassment by the Sandinists. They have not decided whether they will accept the seats.

In the past, the Sandinists have shown flexibility when dealing with opposition parties. They accepted major changes in the law governing political parties and they withdrew their proposal for press regulations after it provoked an uproar.

Sakharov Kin Get Photo Saying, 'We Are Alive'

United Press International

BOSTON — The stepdaughter of the Soviet dissident, Andrei D. Sakharov, has said that her family has received a photograph of the physicist with his wife, Yelena G. Bonner, and a brief message saying, "We are alive."

The photograph, taken in a studio, was released Saturday by Tatiana Yankelovich, Mrs. Bonner's daughter from a previous marriage. It arrived Friday and was addressed to Mrs. Bonner's mother, Ruth Bonner, who lives with Mrs. Yankelovich and her husband in Newton, a Boston suburb.

It said: "This is for all of you, and first of all for you, mother, to convince you, at last, that we are alive. This picture was taken on Sept. 13."

Mr. Sakharov was reported to have begun a hunger strike in May to protest an official refusal to allow his wife to receive medical care in the West. Official Soviet media have said that he stopped the strike,

but there has never been any independent confirmation of his or his wife's condition.

Since May, Soviet authorities have released photographs and film of the couple to prove that they were in good health.

Mrs. Yankelovich said the letter, dated Oct. 29 and written in Russian, was definitely Mrs. Bonner's handwriting. She added she was glad to see the photograph, but was still worried about the couple's health.

"This photograph is difficult to see what is the way my mother is feeling, but Sakharov looks a little bit strange. I would say his face is very, very round," she said. "I would say he looks a little bit swollen."

The family has been pressing for the couple's release from the Soviet Union, and their exile in Gorki. They have said Mrs. Bonner suffers from a heart disease and needs Western medical care.

Mrs. Yankelovich said the family has repeatedly tried to telephone Mr. Sakharov and Mrs. Bonner without success.

She also said it was unusual that the couple would have their photograph taken in a studio.

This is the first time in years, probably since they got married, that they have gone to a photo studio," she said.



A rescued Mexican laborer

7,000 Lured Into Slavery In Mexico

(Continued from Page 1)

played in the operation have been sent home by train.

"We couldn't arrest any of them," Mr. Andrade said. "They were victims, kept under duress on the farms. They were miles from civilization and had no way to get anywhere except to walk across the desert. Even at that, they wouldn't know where the devil they were going."

Mr. Andrade said the leaders of the marijuana operation apparently had been advised that the raiders were coming, because they disappeared before the operation began. Mr. Hernandez said that one man believed to have been an organizer visited the farm at Bufoalo on two occasions. Each time, Mr. Hernandez said, the man was accompanied by a score of bodyguards carrying rifles.

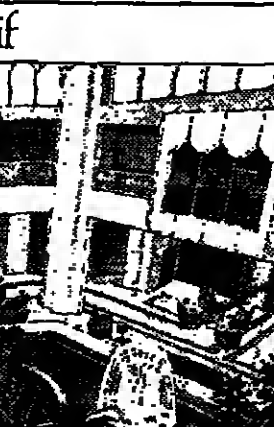
"He'd tell us, 'OK, muchachos, we've got to work hard so we can have a successful harvest,'" Mr. Hernandez said. "There was a promise of a 1,000-peso daily bonus for the really hard workers, but we were never paid. Not one penny."

Italy's Embassy in Malta, A Party Office Bombed

United Press International

VALETTA, Malta — A bomb severely damaged the Italian Embassy and another that exploded at about the same time slightly damaged an office of Malta's opposition Nationalist Party on Saturday.

Both the embassy and the party office were empty at the time and no one was hurt, officials said.



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French Jets Overfly Chad; No New Deployment Seen

Reuters

PARIS — French aircraft flew a reconnaissance mission over Chad on Sunday but the Defense Ministry denied that France was planning to send a military contingent back into the country.

[The ministry also said that Defense Minister Charles Hernu and General Jeanne Loez, the army's chief of staff, left Paris on Sunday afternoon for Ndjamena, the Chadian capital. The Associated Press reported. The ministry refused comment on the visit.]

Thirty-two hundred French soldiers were withdrawn from Chad during the last two months.

A ministry official dismissed a French television report that the government was planning to send troops back to Chad as "a rumor without any foundation."

The ministry confirmed reports from Ndjamena that Jaguar military planes had flown over the Chadian capital Sunday and said they were "on an air reconnaissance mission over the territory of the republic of Chad."

The reports said two Jaguars were involved, but the ministry gave no figure. Sources said the planes would take photographs of Libyan movements in the vast desert in the north of the country.

The government of Chad and U.S. officials said Libyan troops remained in the north.

Libya's Version

Libyan radio, monitored Saturday in Paris, quoted Mr. Mitter-

rand as denying "allegations by imperialist and Western media concerning the maintenance of Libya's military presence in Chad," Agence France-Press reported.

The radio, in a long account of Mr. Mitterrand's news conference, quoted him as saying reports that Libya had kept a troop presence in northern Chad after Nov. 10 "have no relation with reality."

The Libyan radio broadcast appeared to state incorrectly what Mr. Mitterrand actually said.

The French leader said that the Libyan presence was "less than certain foreign reports maintain but more than it should be."

Comment on U.S. Concern

Claude Cheysson, the French minister for external relations, linked U.S. concern about the departure of French troops from Chad while Libyan soldiers remained "to the Americans' desire to show that their way of dealing with Nicaragua is the right one." The New York Times reported from Paris.

"There's also the desire perhaps to give us indirect advice to deal with the Libyans like they do with Nicaragua," Mr. Cheysson said Sunday as he left for Washington to confer with Secretary of State George P. Shultz.

Mr. Cheysson admitted that Colonel Qadhafi had not "kept his word," and repeated the French position that French troops might return to Chad if all the Libyan soldiers do not leave.

Chad Embarrasses France, Becomes Problem for U.S.

(Continued from Page 1)

ings in Washington with the minister for external relations, Claude Cheysson.

But in terms of French public opinion, already troubled by the meeting with the Libyan leader, a denial of its accuracy would remove another element of what the French government has presented as a resolution of the confrontation in Chad.

The problems for the United States are all the more delicate because Mr. Mitterrand's government, as apparent in statements made by its spokesman, Roland Dumas, appears to want to blame the Reagan administration for much of the embarrassment.

The French newspaper Le Monde has called government's situation "the regime's biggest foreign policy gaffe."

Under the circumstances, Colonel Qadhafi's skill in exploiting the French government's eagerness to leave Chad means difficulties not only for the African countries that look to France for military support, but also for the United States, which wants to retain its leverage in encouraging continuation of the French role.

Italy, Egypt Hold Talks On Middle East Peace

United Press International

CAIRO — Prime Minister Bettino Craxi and Foreign Minister Giulio Andreotti of Italy have arrived in Cairo for talks with Egyptian leaders that will include Middle East developments and bilateral cooperation.

The talks during the three-day visit which began Saturday will focus on ways of breaking the stalemate in peace efforts.

tion to its helicopters still in Chad, Libya was maintaining a dozen SF-260 Marchet 60 aircraft that could be armed with rockets and machine guns.

The government's discomfort was compounded by two other reports. One, coming from Egyptian officials in Cairo, said Colonel Qadhafi was informed of his assassination attempt to kill a former Libyan prime minister while he was in Crete talking to Mr. Mitterrand.

The second came from the French Pacific territory of New Caledonia, where an election Sunday was marred by violence caused by independentists who said they had sent men to Libya last summer for training in so-called resistance techniques.

The political difficulties may turn the United States into the only handy villain for the Mitterrand government.

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WORLD BRIEFS

Lebanon Plans Southern Deployment

BEIRUT (UPI) — The Lebanese Army will secure a coastal road to the Israeli lines at the Awali River in southern Lebanon within 10 days, before any Israeli withdrawal from the region, Beirut Radio said Sunday.

The state-run radio, quoting sources, said a blueprint to increase the area under army control would be completed by senior military commanders by Tuesday and the units would be deployed within another eight days.

Speaking in the northern Lebanese port city of Tripoli, Prime Minister Rashid Karami said that "the army was charged with the security of the coastal road to the Awali to prepare to move into the south to fill the vacuum whenever there is an Israeli pullout." But he said "the backbone of the army is in Beirut, where it first has to win confidence and credibility."

Foiled Coup Is Reported in Nigeria

LONDON (Combined Dispatches) — An attempt to assassinate leaders of Nigeria's military government at an Independence Day parade last month was uncovered and 42 plotters, all military men, were executed, The Observer newspaper reported Sunday.

The assassins planned to kill Nigeria's leader, Major General Mohammed Buhari, and his ministers at the Oct. 1 parade, the newspaper said, citing unidentified reports from Lagos, however, denied the story. Wade

The military government in Lagos, however, denied the story. Wade, the official spokesman, told Reuters: "No one has uncovered any plot to topple this government." He denied the existence of an underground firing range where the newspaper said high-ranking officers were executed. He added, "We can't execute lieutenant colonels and majors and their families just keep quiet about it."

Violence Marks New Caledonia Poll

NOUMEA, New Caledonia (UPI) — Police said Sunday they arrested a number of pro-independence Melanesians who burned polling stations in an attempt to disrupt elections in the French territory of New Caledonia.

The voting marks the first stage of the French government's five-year plan for internal autonomy for the South Pacific territory, before a vote in 1989 on independence. French television reported injuries to two policemen and at least two demonstrators in clashes and said 17 persons were arrested.

The television said initial results showed the major anti-independence party, the Rally for Caledonia and the Republic, had received 70 percent of the votes in the balloting for a territorial assembly with new responsibilities. The main parties demanding immediate independence, running under the banner of the Kanak Socialist National Liberation Front, boycotted the elections.

Secrecy Surrounds U.K.-Irish Summit

LONDON (Reuters) — Talks between Prime Minister Margaret Thatcher and Prime Minister Garret FitzGerald of Ireland were expected to start in Britain on Sunday but secrecy surrounding the meeting was so tight that neither its timing nor venue were announced.

Informed sources said the talks were likely to start on Sunday at Chequers, Mrs. Thatcher's country residence, but government spokesmen refused to confirm this. The secrecy, prompted by last month's bomb attempt on Mrs. Thatcher and her cabinet, extended even to the topics on the agenda.

The scheduled meeting would be the first between British and Irish leaders since a Dublin-sponsored report urged new efforts last May to end years of strife in Northern Ireland in which 2,400 people have died. Political commentators said that as well as the general situation in Ulster, cooperation on security was a likely topic for review.

Poland Said to Quit UN Labor Agency

GENEVA (AP) — Poland, responding to what it charges was an anti-Polish decision by the International Labor Organization, has announced its withdrawal from the agency, a Polish source at the agency said Sunday.

Notification of the withdrawal came in a letter sent to the organization's director-general, Francis Blanchard, on Saturday, less than 24 hours after the governing body of the United Nations agency voted to accept a critical report urging the Warsaw government to restore trade union freedoms. An ILO spokesman said he had no official word about the letter.

U.S. Cancels Visit by Officer to Chile

SANTIAGO (UPI) — A visit by the U.S. Army chief of staff, General John A. Wickham Jr., was canceled last week, indicating U.S. uneasiness about President Augusto Pinochet's crackdown on internal opposition, according to officials here and in Washington.

General Wickham had been scheduled to arrive in Chile the weekend of Nov. 10 to watch Chilean Army maneuvers at the invitation of the army's deputy commander, Julio Canessa, General Pinochet's top military deputy. The trip was called off after the government's declaration of a state of siege Nov. 6.

For the Record

A Turkish military prosecutor in Istanbul has charged 12 persons with helping Mehmet Ali Agca, who later shot Pope John Paul II, to flee Turkey in 1980 after a jailbreak, the semi-official Anatolian News Agency reported Friday.

The U.S. assistant secretary of state for African affairs, Chester A. Crocker, arrived Sunday in Lusaka, Zambia, for talks with President Kenneth D. Kaunda and the head of the South-West Africa People's Organization, Sam Nujoma. The talks concern a suggested peace package for South-West Africa, or Namibia, which is administered by South Africa in defiance of the United Nations. (AP)

Correction

BASF AG, the West German chemical group, reported Friday that pretax profit surged 76 percent to 1.84 billion Deutsche marks (\$619.1 million) in the first nine months of this year. Because of an editing error, the dollar figure was given incorrectly in weekend editions of the International Herald Tribune.

U.S. Ponders Arab Arms Aid

(Continued from Page 1)

as more AWACS radar surveillance aircraft to control them. The Saudis are also seeking 1,000 Stingers and 2,000 Sidewinder AIM-9L and AIM-9P air-to-air missiles to add to their current stocks of both missiles.

Pentagon and other officials acknowledged that no careful analysis had been done on the military effects of the prospective sales. By law, such analyses must be included in the presentation of the proposed sales to Congress.

Pentagon May Shift Funds

B. Drummond Ayres Jr. of The New York Times reported from Washington: The Reagan administration is

discussing the possibility of shifting funds in the Defense Department's 1986 budget so that more military assistance may be sent to friendly developing countries, a White House official said Friday.

The extra aid would be used to develop security forces in countries that are struggling to maintain or develop democracy, the official added, noting that one benefit would be a lessening of the military load now carried globally by the U.S. armed forces.

The official did not say how much extra aid was being considered or to name recipient countries. Nor was he able to indicate what Pentagon budget items would have to be cut.

Egypt Says It Faked Murder

(Continued from Page 1)

Bakoush, who heads one of the smallest Libyan opposition groups. Western analysts in Cairo said they assumed the operation was aimed as much at embarrassing the Egyptian government and demonstrating the ability of Libyan terrorists to strike in the heart of Cairo as it was to kill Mr. Bakoush.

Mr. Bakoush heads the Organization for the Liberation of Libya, which was set up in Egypt in 1982. It is one of a half-dozen Libyan opposition groups and not one of the better known.

The Libyan press agency said Mr. Bakoush had been executed because he had "sold his conscience to the enemies of the Arab nations and Libyan people."

Relations between Egypt and

Libya have deteriorated steadily over the past few months as Colonel Qadhafi has reportedly increased subversive activities against the Mubarak regime.

Egyptian leaders have publicly accused Libya of placing the Red Sea mines in August that damaged 19 ships and prompted the United States, Italy, France, The Netherlands and the Soviet Union to send a flotilla of ships to clear the waterway.

Mr. Mubarak has said publicly that Colonel Qadhafi had plans to blow up a ship in the Suez Canal to block shipping, and to bomb the Aswan High Dam.

"We have good relations with all Arab countries except one," he said Saturday.

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AMERICAN TOPICS

Some Say O'Neill Should Fade Away

House Speaker Thomas P. O'Neill Jr. of Massachusetts, who plans to retire from Congress in 1986, is under pressure to ease into the background during his last two years. Some younger Democrats want to craft a new image for the party in the wake of President Ronald Reagan's re-election landslide. Some Democratic conservatives, particularly from Southern states where the Republicans scored significant gains, are demanding that Mr. O'Neill step down altogether as speaker.

The Washington Post reports that according to leadership aides, Mr. O'Neill, 71, is open to giving a larger role to the younger Democrats. He has not made his views known about conservative discontent. But Representative Charles W. Stenholm of Texas says a small group of "Boll Weevil" conservatives may run a challenger to Mr. O'Neill when the Democratic caucus meets Dec. 3 to select leaders for the 99th Congress.

Grumbling about the House leadership is normal whenever Democrats lose an election. But lawmakers say these sentiments are more widespread than in the past.

A group of 25 to 30 younger Democrats elected within the past 10 years and led by Representative Tony Coelho of California and Representative Richard A. Gephardt of Missouri met this fall to voice what several participants said was strong concern at the leadership's failure to develop a clear Democratic legislative agenda.

Navy Deep-Sixes 1970s Gobbledygook

Now hear this! Navy Secretary John F. Lehman Jr. has ordered all hands to abandon the bureaucratic language that became prevalent in the 1970s and return to "nautical lexicon."

Mess decks, which a decade ago were redesignated as "enlisted dining facilities," will again be mess decks, serving food prepared in galleys, not "kitchens." The brig will be a brig, not a correctional facility. The term "unaccompanied officer personnel housing," with its unwieldy initials UOPH, is getting the deep six — that is, being thrown overboard. The term will revert to the time-honored BOQ or bachelor officers' quarters.

Mr. Lehman said some changes instituted to humanize the navy by Admiral Elmo R. Zumwalt Jr., chief of naval operations from 1970 to 1974, made sense. They included allowing sailors to wear beards if they were close-cropped. But Mr. Lehman says some bureaucrats overdid it.

An officer in the Naval Reserve as well as the navy's civilian leader, Mr. Lehman said that the "modern" terminology "is something that's been sticking in my craw for some time, and also in Jon Watkins's." Admiral James D. Watkins is the current chief of naval opera-



TURKEY TUSSE — "R.J.," the turkey, would not sit still for his presentation to President Ronald Reagan as the annual live Thanksgiving turkey. But R.J. will not join millions of compatriots on U.S. tables this Thursday. He will live out his days at a Virginia petting farm.

tions, the navy's top man in uniform.

'Gridlock Busters' Patrol New York

The New York Police Department has started its most rigorous campaign yet to keep traffic moving in Manhattan during the Christmas shopping crush. Chartered buses can no longer idle at Rockefeller Center or other tourist attractions. In midtown, 30 police "gridlock busters" are handing out \$45 tickets to motorists caught in intersections when the light changes.

Samuel I. Schwartz, the city traffic commissioner, took a turn at passing out buttons and bumper stickers to drivers who tried to avoid gridlock. He had a hard time finding anyone.

Construction projects affecting traffic have been reduced from the year-round average of 130 to 30. Only emergency work can continue on existing roadways.

"And we're making sure that the emergency work is going on around the clock," Mr. Schwartz said. "If they say it's an emergency, they better be at it 24 hours a day."

Waiting for Salmon Back in New England

Last month the U.S. Fish and Wildlife Service dedicated the new White River National Fish Hatchery at Bethel, Vermont. A shipment of 350,000 fertilized Atlantic salmon eggs already is incubating there.

Dams, pollution and over-fishing all but eliminated salmon from New England's rivers by the turn of the century. The White River hatchery is part of an effort to restore the prized game fish to rivers throughout New England. Fishermen still pursue the Atlantic salmon, but

they usually have to travel to Canada to find it.

"There's a romance and mystique there as great as the white-tailed deer," said Norman E. Wright, Vermont's commissioner of fish and wildlife. He said that part of the mystique is the salmon's size: "This is no 12-inch [30-centimeter] brook trout." The Atlantic salmon ranges up to 30 pounds (13 kilograms).

Notes About People

The current issue of The Tobacco Observer, published every two months by the U.S. Tobacco Institute, features a full-page spread on First Ladies who used tobacco in the White House. The trail-blazer is said to have been Dolley Madison, who pinched snuff. Rachel Jackson, wife of Andrew Jackson, smoked cigars and a pipe. Grace Coolidge, Calvin Coolidge's wife, is said to have been the first to smoke cigarettes. Betty Ford also used cigarettes. The Observer says, but not to smoke. She is said to have placed them between the fingers of White House statues to test the cleaning staff.

Fred S. Hoffman, 61, who has covered the Pentagon for The Associated Press for 24 years, has been appointed deputy assistant secretary of defense for public affairs.

Glass Carlo Menotti hopes to complete a new opera on the life of Goya by 1986, when he will be 75. Although a Spaniard, Placido Domingo, has already agreed to sing the role of Goya, also a Spaniard, the opera will be written in English. The Italian-born Mr. Menotti explains that the opera will have its premiere in an English-speaking city, Washington, and anyway, "I like to write in English."

—Compiled by ARTHUR HIGBEE

Reagan Aides Set Target for Cutting Deficit by '88

By Jonathan Fuerbringer
New York Times Service

WASHINGTON — Reagan administration officials have set an objective of driving the annual federal deficit below \$150 billion by 1988, according to high-level sources.

To reach that goal, the officials said Friday, the administration budget would have to propose deep cuts in such domestic programs as Medicare, the program of health insurance for the elderly, civil service retirement, student loans and farm subsidies.

Specific options for spending cuts to reach the target by the fiscal year ending Sept. 30, 1988, will be presented to President Ronald

Reagan after his Thanksgiving vacation in California.

The projected deficits for this fiscal year and next are running at more than \$200 billion. Mr. Reagan has ruled out two possible ways to reduce them, raising taxes or cutting Social Security, and has expressed opposition to any slowing of military spending. Congress is expected to resist any proposal to slash domestic spending.

The spending reductions needed to reach the goal could exceed \$50 billion a year, or more than 15 percent of government spending other than for the military, Social Security or interest on the national debt.

Administration officials acknowledge that the goal of budget

cutting is no longer to balance the budget, as Mr. Reagan promised in 1980, during his first campaign for president. The goal now is to reach an "acceptable" decline in budget deficits over several years.

"It is the view here that we have to get rid of programs if the deficit is really going to be reduced with domestic spending cuts," one official said Friday. "We have to decide what to keep."

The deficit is now about 5 percent of the annual output of goods and services, and the goal is to cut that figure to 2 to 3 percent. Some administration officials say that achieving such a level, which translates to \$100 billion to \$150 billion a year by 1988 under current administration economic projections,

would show that the deficit is being brought under control.

One official said the goals were "target targets," which, he said, meant that the targets could be changed if the options presented to the president were not all approved.

Another official said that getting nearer the \$100 billion level would require some reductions in the projected growth of military spending, which at this point is not an option Mr. Reagan will entertain.

Several officials said there was little prospect of negotiations with leaders of Congress before the president submits the 1986 budget at the end of January because of the expected emphasis on domestic spending cuts.

Such negotiations had been suggested by some administration officials and congressional leaders as a way to avoid a budget stalemate next year.

One presidential adviser said the message of Mr. Reagan's re-election victory was no tax increases, no reductions in Social Security, cuts in other spending and simplification of the tax code. He indicated that the administration's best course now was to offer a budget putting this message into practice.

Without new spending reductions or tax increases by Congress, the Reagan administration projects

that the deficit for the fiscal year 1985, which began Oct. 1, will be \$210 billion, followed by a deficit of about \$200 billion in 1986. The projections for 1987 and 1988 are for only slightly lower deficits.

These projections are much higher than those made in August in the administration's budget review. Then the 1985 projection was \$172.4 billion, followed by \$174.2 billion in 1986 and similar figures in 1987 and 1988.

The deficit in 1984 was \$175.3 billion, down from \$195.4 billion in the fiscal year 1983.

In cabinet meetings last week, officials said Mr. Reagan gave the strongest instructions he has expressed in several years to cut domestic spending.

David A. Stockman, director of the Office of Management and Budget, will begin this week his review of agency budget submissions. That usually leads to the director's cutting back the agencies' requests. If cabinet members object, the proposed cuts can be appealed to a White House board and ultimately to the president.

At the same time, according to officials, Mr. Reagan's budget working group will review proposals for reductions in major program areas, including Medicare, civil service retirement and farm subsidies.

Baby Fae Case Raised More Questions Than It Answered for Future Attempts

By Lawrence K. Altman
New York Times Service

LOMA LINDA, California — The doctor who kept the infant Baby Fae alive for nearly three weeks with a transplanted baboon heart says that although the child died, the operation advanced medicine and one day will save the lives of many children.

Dr. Leonard L. Bailey said he



Dr. Leonard L. Bailey

NEWS ANALYSIS

would try another baboon-to-human heart transplant.

For a public display of medical research, however, the Baby Fae case has raised more questions and provided fewer answers than many other recent experiments.

One fact is certain. Baby Fae, who died Thursday night, lived for 20 days with a transplanted baboon heart, much longer than any human with an animal heart. Nevertheless, doctors still do not know if they can cross the species barrier in transplanting organs.

Baby Fae's doctors were encouraged that she survived as long as she did. Most babies born with hypoplastic left-heart syndrome, Baby Fae's defect, die within a few weeks of birth. Baby Fae was one month old when she died.

Doctors on the Loma Linda University Medical Center team have said she lived her best days with the animal heart. "Baby Fae has now lived longer with her transplanted heart than with her own lethally malformed heart," they said in a statement Nov. 11. "Sunday, day 16, has probably been the best day of her life to date," they added, even though on that day her body was struggling to reject the heart in an episode that the hospital was then denying.

The doctors said the quality of the baby's life was better with the baboon heart because she was not desperately gasping for air and struggling to vainly get nourishment for her dying body, as she was before the operation. After the operation and until the final rejection crisis, Baby Fae was pink and warm, yawning, squalling and otherwise behaving like a normal baby. Her mother cuddled and rocked her and fed her from a bottle.

That improvement was one reason the Loma Linda team insisted that the technique had promise. The immunologists on the team, Dr. Sandra L. Nehlsen-Cannarella, said the cross-species transplant

led to milder reactions than expected. Dr. Nehlsen-Cannarella also said there was an astounding similarity between baboons and humans immunologically.

Yet, although Baby Fae and the baboon matched very closely in the immune tests, the infant still rejected the organ.

Will immunologists be able to get even closer matches in the future? Or was Baby Fae's experience an indication that even with very close matches, rejection reactions will be unmanageable?

One hope expressed by the Loma Linda doctors is that new tests will emerge from the experiment with Baby Fae that will help them detect rejection reactions earlier. Such detection could benefit not only future recipients of baboon hearts but also, perhaps, other transplant patients, and such a contribution would be significant even if baboon transplants never work.

It takes the data from a series of cases to establish the scientific merit

Norway's Leader Visits China

REUTERS

BEIJING — Prime Minister Kaare Willoch of Norway arrived in China Saturday for an eight-day visit that is expected to focus on Norway's possible involvement in the development of China's offshore oil reserves.

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Shuttle's Return With Satellites Delights NASA, Insurers

By John Noble Wilford
New York Times Service

CAPE CANAVERAL, Florida

—The successful conclusion of the Discovery space mission in bringing back to Earth the first two salvaged satellites has delighted officials of the shuttle program and sent satellite insurers "absolutely over the moon."

Calling this "a very historic day in the American space program," Jesse W. Moore, the shuttle program chief for the National Aeronautics and Space Administration, said the salvage operation "clearly demonstrated" the ability of astronauts and machines to accomplish a wide range of tasks in orbit.

In the Discovery's eight days in orbit, the crew of five astronauts deployed two new communications satellites and, in space walks, retrieved two others that were misfired into useless orbits last February. The retrieved satellites, brought back to the cargo bay to be refurbished and sold for relaunching.

The mission, Mr. Moore said, completed "the third leg of a triangle." In April, shuttle astronauts repaired a crippled satellite, the Solar Max scientific craft. In October, they practiced procedures for refueling orbiting satellites. Now they have brought back two satellites that had been declared \$180-million losses.

The insurance underwriters that paid that amount to the satellite owners, the Indonesian government and Western Union Corp., could not have been happier with the mission's success.

At a news conference in Cape Canaveral after the landing, Stephen Merrett, chairman of Merrett Syndicates Ltd. of London, said: "We're absolutely over the moon about it."

Merrett Syndicates, along with International Technology Underwriters, of Washington, arranged for the space agency to attempt the salvage mission. The insurers had assumed ownership of the satellites and salvage rights. They paid \$5.5

million to NASA to cover some of the mission costs and \$5 million to the Hughes Aircraft Co., the satellite manufacturer, to build some of the salvage equipment and direct the satellites into a 224-mile-high (358-kilometer) orbit within the shuttle's range.

[On his return to London on Saturday, Mr. Merrett said there had been offers for the former Indonesian satellite, Palapa B-2, in the \$30 million-\$40 million range and for the Westar-6 satellite at \$25 million-\$30 million, Agence France-Presse reported.]

The two satellites, when new, cost \$35 million each. Palapa was believed to be in better condition and a reservation has

been made for it on a shuttle flight as early as next July. Mr. Merrett said, Westar, he said, needed a new amplifier system and probably could not be relunched for at least 18 months.

Mr. Merrett estimated that the underwriters would realize about \$50 million from the salvage operation. This would reduce their losses to \$130 million, providing what he called a "psychological boost" to the satellite-insuring business.

Because of more than \$300 million in losses this year, insurance rates on satellites rose sharply, from about 6 percent of the insured value of the craft to as much as 20 percent to 25 percent.

On Sunday the two satellites

Westmoreland Tells of Impact Of Press Coverage on Troops

Washington Post Service

NEW YORK — Retired Army General William C. Westmoreland has said that the military would have been "dumb oxes" not to be constantly concerned about press coverage of the war he commanded in South Vietnam.

The 70-year-old general, who took the stand Friday for the second day in his \$120-million libel action against CBS Inc., said that as word of what had been reported by U.S. news organizations reached his troops, it damaged their morale. "My troops did a wonderful job," he said, adding, "They never thought — and I got this everywhere I went — that they were getting a fair shake from the media."

He also said: "Sure, we were sensitive to press reaction. We had to be dumb oxes if we weren't."

General Westmoreland is trying to prove in this libel case that CBS was wrong when it accused him of a 1982 documentary of being part of a conspiracy to suppress higher enemy troop figures to 1967 in order to maintain support for the war.

Friday's remarks came after General Westmoreland was asked about a cable from his deputy at the time, General Creighton W. Abrams, to the chairman of the Joint Chiefs of Staff on Aug. 20, 1967, that warned against higher troop estimates getting to a press corps that could draw "erroneous and gloomy conclusions."

By Henry A. Kissinger

Reagan Has Major Foreign Policy Opportunity

President Ronald Reagan's landslide victory coincides with a period of extraordinary opportunity in American foreign policy. Difficulties, even crises, continue, of course: East-West relations, the Latin American debt problem, the Middle East all demand our attention. But a far-sighted American foreign policy is in a position to improve each trouble spot substantially.

The president's greatest opportunity goes far beyond the solution of any particular issue. Destiny and his own achievements have placed him in a position to restore for the first time in a decade and a half a national consensus on the nature and aims of our foreign policy. For too long presidential elections have led to "reassessments" of American foreign policy; reversals of our positions have made America a factor of uncertainty in international affairs. The almost universal preference abroad for President Reagan's reelection reflected in large part the desire to avoid the nightmare of yet another new administration's pulling up all the trees to see whether the roots were still there.

The disintegration of the national consensus on foreign policy is often ascribed to the Vietnam War and Watergate. These events were surely traumatic. But I doubt that they were seminal. The key event was the collapse in the late '60s of the premises in which our postwar foreign policy had been based. That process may have been speeded and exacerbated by Vietnam, but it would surely have happened without it.

When America ended its isolation after World War II an atomic monopoly gave America a margin of security unprecedented in history. As late as 1950 the United States produced 52 percent of all the world's goods and services. America by itself represented the global balance of power. American alliances were in effect unilateral guarantees; recognized problems could be overwhelmed with resources.

By the late '60s these conditions were disappearing. Nuclear parity was upon us. As Europe and Japan recovered and other nations industrialized, America's percentage of the world's total Gross National Product was declining. By 1970 we produced about 30 percent of the world's goods and services; today the figure is around 22 percent.

Henceforth we would have to live in a world of relative security, capable of reducing dangers but unable to banish them. We continue to possess resources larger than any other nation. But America is no longer able to handle all possible challenges simultaneously or alone. Foreign policy for us has become what it has always been for less favored nations — a balancing of risks.

The America of the '60s and '70s was not emotionally prepared for the fundamental transformation from absolute dominance to relative strength. The deepest significance of Mr. Reagan's second term is that it has liberated us to undertake, in a climate of conciliation, a long overdue reassessment of the basic assumptions of our foreign policy.

For example, in the recent campaign both parties seemed to agree on a definition of peace as a kind of terminal state in which nations live with a consciousness of harmony and the need for further effort disappears. The difference was that the Democratic Party often talked as if that blissful state was attainable through strenuous negotiating unrelated to power, while Republicans tended to imply that power would supply an automatic route to the millennium.

Unfortunately, neither conception corresponds to the reality that in our time peace is a process, not a condition. There are no final "happy endings." Whatever they may agree on, the United States and the Soviet Union will remain superpowers impinging on

each other globally. Ideological hostility will continue. Specific, precise arrangements can, indeed, must be made. But they are more likely to ameliorate tensions than to end them. An apocalyptic notion of peace risks turning diplomacy into a form of psychiatry and the American domestic discourse into competitive masochism which seeks all fault on our side.

When in the recent debate both candidates were asked to describe the regions they considered vital to American security they wallowed in superficialities. And this was no accident. Historically the notion of vital interest has implied that a nation resists an infringement of such an interest on matter how it happens. Britain for three centuries left no doubt that it would fight to prevent the port of Antwerp from falling into the hands of a major power because command of the seas depended on it.

Does the United States have such vital interests? Further, does our domestic consensus permit such a concept? With respect to the first question, certainly so. With regard to the second question, much less clearly so. We tend as a people to edge up to but never fully to decide that the concept has applicability to us.

In the Cuban missile crisis, for example, we ended up by transforming a specific issue into a legal formula which in the end facilitated the Soviet military build-

This is the fifth of 10 articles by the former U.S. secretary of state. The next will appear Dec. 17.

up of Cuba. Nuclear weapons and delivery vehicles were proscribed; in the end everything not specifically prohibited was tolerated. Thus, Cuba turned into the second largest military power in the Western hemisphere: Cuban expeditionary forces appeared on distant continents without serious challenge from the United States. The same process seems to be repeating itself in Nicaragua with respect to MIG-21s. It is of course possible to argue that no possible change in Central America can affect an American vital interest. But if not in Central America, then where? And if so, at what point do we resist and by what means?

Only a nation convinced of its invulnerability could afford the philanthropic view that no such answers are needed. Recent elections show that most Americans prefer a more assertive approach. But they have not faced its implication which is a clear articulation of what we shall defend or what we shall seek to achieve and with what means.

This is because America has traditionally been much more comfortable defining its security interests in legal rather than in geopolitical or strategic terms. We never quite seem to make up our minds whether we resist the fact of change or the way it comes about. Much of our domestic debate implies that in case of aggression the first person a president should call is his lawyer. The fact is that obligations reflect interest; they do not create them. Nor is it always possible to embody all our national interests in legally binding form. For example, in case of all-out Soviet attack on China the United States would have to consider the impact on the global balance of the military defeat of the world's most populous nation and not simply or even primarily the diplomatic record.

No charge recurs more frequently in our political debate than the cliché that a problem should be resolved by diplomacy rather than by power. But the idea that power and diplomacy are separable and discrete falsifies the essence of each. Power without purpose leads to posturing; diplomacy without power exhausts itself in rhetoric.

When Foreign Minister Andrei A. Gromyko of the Soviet Union visited President Reagan there was

much speculation about the personal interaction of the two leaders and the chances of a breakthrough. Since these are the wrong questions we clearly lack a framework for meaningful answers. Soviet leaders believe that personal convictions of leaders reflect "objective reality" such as the structure of society and the global balance of forces. In other words, while America feels its way toward the notion of vital interests, Soviet leaders have no other category for judging diplomatic encounters.

The significance of the Gromyko visit was therefore that Moscow had made a prior decision to explore negotiation. This was not because it liked President Reagan more but because of a need for a period of calm to sort out succession problems and to invigorate a moribund economy. Thus, East-West negotiations at this moment require not a gimmick to get the Soviet Union to return to the conference table but careful thought regarding a precise and imaginative program to put forward once they get there. This is all the more important because the very sclerosis of leadership that tempts the Kremlin to explore negotiations may also prevent the flexibility to sustain a fast-moving negotiation.

Thus President Reagan has a dual task. He must overcome the divisions regarding our national purpose and at the same time extend the base of our national consensus. And contrary to the predilection of his traditional constituency he has every incentive to seize the middle ground. Experience has shown that our diplomacy cannot be sustained when the policy pendulum swings too far to either extreme. A policy that seeks agreement for its own sake will run up against the national mood of self-assertion. A confrontational course evokes elementary fears of nuclear war and forfeits domestic and allied support.

The ultimate challenge to the Great Communicator is to add the laurel of the Great Educator. He must take bipartisanship beyond the least common denominator. The country needs an unambiguous vision of the world for which to strive and the dangers to be overcome. The bureaucracy, if left to its own devices, will segment what should be a national strategy into a series of ad hoc decisions that place a premium on the satisfaction of departmental self-will. And the task will be complicated as well by the way



Henry A. Kissinger

the American political process has developed. In each party, the stalwarts, often fanatics, who are motivated to work in primary campaigns, have acquired a disproportionate influence. They are experts at refining distinctions, not transcending them. The quest for the middle ground is almost certain to be resisted by the extremists of each party. The fault line runs within each party as well as between them.

Yet as the victor in a landslide the president can afford, indeed, he has the obligation, to be generous. No president in a generation has had a better opportunity to involve the broadest spectrum of serious opinion, especially if the Democratic Party learns the lesson from its debacle and returns to the responsible international role it pioneered in the postwar period.

America's prospects are bright. The Soviet Union needs a respite. Our allies look to us for leadership and developing nations have learned that their hopes for progress depend on our economy. Not since the immediate postwar period has a president had such an opportunity to shape a more benign international order. And few presidents have been better placed to act on the understanding that societies thrive not on the victories of factions over each other but on their reconciliations.

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Strike Momentum Lags As Miners Trickle Back To British Coal Fields

By R.W. Apple Jr.
New York Times Service

LONDON — The strike that has immobilized most of Britain's coal fields for more than 36 weeks appears to be losing some of its momentum.

More than 5,000 of the miners who had been taking part in the walkout returned to their jobs last week, according to the National Coal Board.

Although the National Union of Mineworkers challenges the board's figures, its officials make no effort to hide the fact that a back-to-work movement is under way. Some expect that as many as 7,000 to 9,000 strikers may leave the picket lines this week to qualify for a £1,400 (\$1,764) package of pre-Christmas wages and bonuses.

Only three weeks ago, the miners appeared to have Prime Minister Margaret Thatcher on the defensive. But she has returned briskly to the attack, and in the House of Commons on Thursday she assailed Neil Kinnock, the Labor Party leader, for what she termed his "lack of guts" on the issue of violence on the picket lines.

The turning point was the settlement with the mine foremen's union. Had it gone through with its threat to join the walkout, all coal production would have ceased and power cuts this winter would have become almost inevitable. But the union came to terms with the board at the last minute, depriving the miners' leader, Arthur Scargill, of the backing he had hoped for.

Mr. Scargill was offered the same terms as the foremen, but he turned them down. The miners are still biding out for a pledge that the board will close no mine, however inefficient, without the union's consent.

The state-owned board has adopted a tougher policy since the collapse of the last round of bargaining. In an interview Friday with The Times of London, Michael Eaton, the board's chief spokesman, put the matter bluntly. Asked when talks might resume, he responded:

"There will not be any. We have nothing else left to negotiate with the other side."

Mr. Eaton said that he expected that 70,000 to 75,000 of the 191,500 workers in the industry would be back on the job at the end of this month, and he predicted the virtual collapse of the strike by Christmas. Other board officials have suggested that, by the end of the year, the union will be forced to consider calling off the strike.

But Mr. Scargill remained ada-

mant last week as he appeared at a series of rallies around the country, hailed at every stop by the strikers.

He insisted that the strike remained "solid," he accused the coal board of indulging in "black propaganda" and he appealed for support from other unionists at home and abroad, including those in the Soviet Union, whose further backing he sought during a visit to the Soviet Embassy here.

"We are fighting a class war," Mr. Scargill said recently, "and you don't fight a war with sticks and bladders. You fight a war with the weapons that are going to win it."

But the tactics of Mr. Scargill and his men have cost the miners the firm backing of other British unionists; among these tactics were talks with the Soviet Embassy and, earlier, with Libyan officials, violence on the picket lines, and a refusal to get approval for the strike through a national union ballot.

Moderate union leaders like John Lyons, of the power station engineers, want the labor federation to withdraw even its verbal support from the strike.

Between March 12, when the walkout began, and Nov. 8, a total of 7,658 arrests were made on or near the picket lines. Impatience with the miners' militant leadership increased after a new outburst of violence, perhaps the worst of the strike, in Yorkshire on Monday and a rally Tuesday at Aberavon in south Wales.

At the rally, strikers verbally abused Norman Willis, the new leader of the labor federation, when he said that "any miner who resorts to violence wounds the miners' case far more than they damage their opponents' resolve."

He denounced the use of "the brick, the bolt, and the petrol bomb" by the strikers.

Mr. Scargill sat silently on the platform beside Mr. Willis as miners shouted "Judas!" and "Scab!" Boos filled the air and one group of miners dangled a noose in front of the labor leader's face. When his turn to speak came, Mr. Scargill declared: "I am not prepared to condemn the action of my members whose only crime is fighting for the right to work, fighting for their pits, and for their communities."

The next day, Mr. Kinnock, whose party's standing in the polls has been damaged by the strike, said that Mr. Willis had spoken for "millions of trade unionists whose instinct to support the miners is as strong as their opposition to the use of violence, and that includes me."

Poles Arrest Former Party Official

By Robert Gillette
Los Angeles Times Service

WARSAW — An official of Poland's Communist Party who defected to Albania 18 years ago to wage a Stalinist propaganda campaign against his homeland has been arrested in Poland, the Interior Ministry announced.

Kazimierz Mijal was detained Friday by police on charges of entering Poland illegally using falsified documents, according to an Interior Ministry communiqué reported on Polish television. It said he returned "with help from a small group of his adherents."

The report said Mr. Mijal was found in possession of a "large number of illegal publications and manuscripts" attacking Polish government policies and relations be-

tween the state and Poland's Roman Catholic church.

The report drew no connection between the arrest of Mr. Mijal and the investigation into the murder last month of Father Jerzy Popieluszko, a champion of the outlawed Solidarity movement. But the same broadcast said the state prosecutor's office had completed its preliminary investigation of the murder.

Three officers of Poland's security service have been accused of the killing for political motives, and a fourth officer is under arrest on suspicion of complicity.

Many Poles are likely to draw a connection between Father Popieluszko's death and the arrest of the long-absent former Polish official, in light of Mr. Mijal's reported views in opposition to the govern-

ment of General Wojciech Jaruzelski and the coincidence of his return to Poland.

Mr. Mijal represented a hard-line faction in Poland's Communist Party favoring suppression of the church and the collectivization of agriculture along Soviet lines. He was a member of the party Central Committee in the 1950s during a period of harsh Stalinist rule. He fell into disgrace after 1956, when the more moderate Wladyslaw Gombik came to power.

Mr. Mijal established a small Polish Communist Party in exile and named himself its general secretary. Polish television said he had made broadcasts over the official Albanian radio, spreading "false information" about Poland and "slandering the nation's highest authorities."

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Backtracking in Brazil?

Brazil's long and fitful shift from one-party military rule to civilian democracy has hit another snag. Some military leaders have second thoughts about a process that may make the opposition's candidate the next president.

There is talk of aborting the scheduled transition, in which a president is to be chosen by an electoral college on Jan. 15 ending 20 years of military rule. The favorite is Tancredino Neves, a civilian first put forward by the opposition Brazilian Democratic Movement Party.

The military's Social Democratic Party created the electoral system to forestall a direct election, expecting that indirect balloting would result in the victory of its candidate.

Paulo Salim Maluf. But Mr. Maluf seems to have made himself so unpopular even in his own party that its electors have switched to his opponent. Some officers have talked of changing the election rules yet again, even if this requires prolonging the term of the outgoing president, General João Baptista Figueiredo.

Brazilians have to make their own choices. But the election process cannot credibly be advertised as democratic if the rules are repeatedly altered to favor the party in power. And impressions count, as Brazil looks ahead to competing with democratic neighbors for sympathy and favor in the hemisphere.

—THE NEW YORK TIMES.

Cures for Unemployment

Among the proposals put forward on Nov. 11 by the Catholic bishops is the idea of trying to confine unemployment in America to 3 or 4 percent of the labor force. At that level almost every worker wanting a job could find an acceptable one without having to look very long. Not all that many years ago, this happy state of "full employment" was the economist's goal; it is still an official government objective. But achieving it is no longer considered a live possibility. Should that be so?

Economists say that, desirable as it may be, full employment cannot be reached without intolerable side effects. To make employers want to hire almost everyone wanting a job, you would have to use fiscal and monetary policy to stimulate the economy to such a degree that wages and prices would spiral upward. Because high inflation creates uncertainty for businesses and investors, the effort would probably boomerang into a recession.

Economists, however, tend to overlook other kinds of private and public policies that could produce more jobs, or at least a fairer distribution of work-related income, without fueling inflation. It is much harder to incorporate the effects of these policies in the computer models that are the stock-in-trade of modern economists. But the effects are no less real.

For example, Japan and, until the last decade, West Germany enjoyed both fast growth and low inflation because employers and

workers were willing to cooperate in holding wages and prices in line. That sort of mutual restraint is alien to the Anglo-American tradition of adversarial labor-management relations. But foreign competition has convinced many U.S. companies and their workers that fighting each other is a luxury neither can afford. If this trend is encouraged, economic policymakers could afford to run the economy in higher gear without reigniting inflation.

The tax system penalizes employers heavily for adding workers and rewards them for adding machines. Reducing that bias might open up more jobs without sacrificing efficiency.

Raising minimum wages would reduce poverty without increasing reliance on welfare. But too much of a boost in the minimum wage would cost jobs and stimulate inflation. Better would be to pay wage supplements, probably through the tax system, to breadwinners whose earnings do not meet their families' needs.

But a wage supplement will not help someone who has no job. And, given rapid industrial change, some workers are not going to be able to find jobs even in a fast-growing economy. The last time unemployment got below 6 percent, the country had a substantial public-service jobs program in place. It did not run long enough to get working very well, but the jobs did not look like failures to the people to whom they provided income and self-respect.

—THE WASHINGTON POST.

A Fair Year for Women

Through the political campaign the women's vote was counted and analyzed, simplified into a monolith and dismissed as a myth. In other areas, American women are finally earning "the sacred sixpence" — Virginia Woolf's term for the influence that arises out of independence. Could the sixpence, translated into votes, account for a victory or a defeat?

Given the variables, the answer seemed likely to be mixed, and it was. There was one gender gap in numbers: More women voted than men, constituting about 53 percent of the electorate. There was another in preference: Women were somewhat less likely to vote for President Reagan. And there are certain issues — day care, say — that probably enlist more female than male supporters.

But, as Ann Lewis, political director of the Democratic National Committee, has said,

"Women live in the real world and they're affected by the same political weather. When it rains we all get wet." Faced with sunny weather in the form of an expanding economy, they, like men, voted for the status quo.

The outcome was as blurred for women candidates as for women voters. Nine women challenged strong Senate incumbents and lost. But all 20 female members of the House were re-elected. Rhode Island's new attorney general is a woman, the first in the nation to hold that state office. Vermont's new governor is a woman, the first in the nation to hold that office. And there are certain issues — day care, say — that probably enlist more female than male supporters.

But, as Ann Lewis, political director of the Democratic National Committee, has said,

Other Opinion

A Bad Time to Cut Foreign Aid

The aid cuts now being contemplated by [the British] government demonstrate how far out of touch it can be with public sentiment. It takes a special degree of ineptitude, or insensitivity, to consider taking millions of pounds off the government's aid budget at the very time when the public, stirred by harrowing pictures of starving children, is flooding relief agencies with notes and checks to save lives in Ethiopia. This is by no means the first time Mrs. Thatcher's governments have cut aid; it is already down nearly 20 percent in real terms from the levels she inherited in 1979. We give 0.33 percent of our GNP in aid, exactly half the UN target. At the very least the government should return it to the levels it inherited — and increase the share that goes to the poor.

—The Observer (London).

The famine in Ethiopia is a tragedy on a scale so huge that few people can conceive it. The sight of people reduced to eating grass and leaves — if either are within reach — is beyond our experience. In areas of the country totally without food, the prospects are even worse for the weeks and months ahead. The UN Children's Fund estimates that of all people put in jeopardy by the famine, more than one million

are children under the age of 4, and that 1.6 million more are between the ages of 5 and 14. Until a few days ago the Ethiopian government, an avowedly Marxist regime, had been bled at arm's length by the Reagan administration. There was no government-to-government food program. On Nov. 2 Washington agreed to provide the Ethiopian Government Relief Commission with about \$12 million worth of food on an emergency basis. The Reagan administration has been increasingly responsive to private agencies' requests. In fiscal year 1984 it made available \$22.7 million in food commodities. Since Oct. 1, \$43.7 million in commodities has been approved. Even the Russians have sent some vehicles.

Still, private relief agencies worry that the hunger problem threatens to overwhelm the food that donors can provide. The agencies' ability to move food from ports to villages and to integrate feeding with vital health-care programs will depend importantly on private individuals' financial generosity. The life-saving challenge in Ethiopia — indeed, throughout all of sub-Saharan Africa — is for governments and private citizens alike.

—Robert J. McCloskey, senior vice president of Catholic Relief Services and a former U.S. ambassador to Cyprus, the Netherlands and Greece, writing in The New York Times.

FROM OUR NOV. 19 PAGES, 75 AND 50 YEARS AGO

1909: Nicaragua Executes Americans
WASHINGTON — Two Americans, who were discovered serving with the revolutionary army in Nicaragua, have been captured and sentenced to death by President José Santos Zelaya, and despatches received at the State Department indicate that the sentences have been carried out. Two United States ships of war have been ordered to proceed to Nicaragua. The meeting between President W.H. Taft and the new Nicaraguan Minister has been indefinitely postponed. Persons residing in New Orleans say that over 300 persons suspected of revolutionary sympathies have been sentenced to death by President Zelaya, and executions continue. General Estrada, leader of the insurgents, declares that the port of San Juan del Norte, Nicaragua, is under blockade.

1934: League Issues Report on Chaco
GENEVA — The report of the League of Nations Chaco commission returns the Paraguay-Bolivia dispute to the American states for settlement within the spirit of the Monroe Doctrine, but only after re-establishing the right of the League of Nations to intervene for peace in any part of the world. The United States is asked to join in the military commission supervising the cessation of hostilities on the spot and in the arbitration conference at Buenos Aires. The policy of an arms embargo against both parties is set aside in favor of the League concept of an aggressor. Should one of the parties refuse recommendations of the report, this party becomes the aggressor, and the embargo may be maintained against this state and lifted from the other.

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The Reagan Crew Reappraises Its Course

By James Reston

WASHINGTON — The post-election mood in Washington is one of deliberate calm. There is no gloating, not even among the most partisan architects of President Reagan's victorious campaign. The emphasis is on private consultation with both the Democratic leaders in Congress and the Soviet leaders in Moscow.

This does not mean any fundamental change in policy. President Reagan, like Konstantin Chernenko in the Kremlin, is talking about "strengthening the country's defense capability," but both are also talking more hopefully about renewing diplomatic negotiations on the reduction of tensions between the two countries.

What has changed here, at least for the time being, is the tone of the Reagan administration's private and public language. Despite the recent conduct of its foreign policy, for example, despite its alarming budget deficit it is talking privately about increasing foreign aid by as much as \$8 billion so as to relieve suffering and reduce tensions in the world's poorest nations.

This has not yet been approved by the president and may never survive the budget debate in the new Congress, but the fact that it is being seriously debated is a sign of a reappraisal of priorities.

In its first term the administration risked a break with its allies by opposing use of U.S. technology to help build a Soviet gas pipeline to Western

Europe. Now it is understood that Mr. Shultz has approved talks with Moscow on the possibility of U.S. aid for the development of Soviet gas and oil.

Also, although this has attracted little public notice, the Reagan administration has been quietly supporting improved relations between East and West Germany and has been encouraging more U.S. contacts with the East German regime.

Mr. Reagan indicated this change of attitude, if not of policy, in his conciliatory address to the United Nations General Assembly in September. But nobody here knew then whether this was merely an electoral tactic to soften his warrior image or if it was an offer of reconciliation and reconciliation in a second term.

It is obviously too early to talk of reconciliation or compromise with either the Democrats or the Russians, but a reappraisal of Mr. Reagan's rhetoric and maybe even of policies is clearly under way.

No doubt it will be opposed in the next two months by those in the administration who regard his spectacular election victory as a mandate to carry on the anti-big-government, anti-Communist policies of the first term. But this is not the trend these days before Thanksgiving. The administration seems grateful for a second term and eager to talk more about cooperation and less about confrontation at home and abroad.

The New York Times

Mitterrand Furls Sails In the Storm

By Flora Lewis

PARIS — President Reagan and what is here called "Reaganism" have become a peculiar issue in French politics. The debate really has little to do with America, which merely provides a rorschach test in the argument over François Mitterrand's Socialist administration and its presenty not-so-Socialist policies.

A poll published on the eve of the U.S. elections showed that a great majority of the French like Mr. Reagan but dislike "Reaganism." This is fully in the country's tradition. The French admire strong, confident, national leaders but for more than three centuries have clung to a powerful, paternalistic role for government.

The big difference between the Socialists' ideas and those of their conservative opposition, who call themselves liberals in the 19th century sense of free enterprise, is whether the government should be in charge of major economic decisions or work in a kind of supportive partnership with private capital. The "liberals" want less government ownership and control, not less government.

Profligate spending in the Socialists' first 18 months badly ran down the economy. That has been reversed with a tough austerity program, a hold on wages and an effort to encourage private investment. A series of political crises has resulted.

Prime Minister Laurent Fabius, 37, says any government, whatever its coloration, would have to adopt the policy he is following. No doubt he is right. But while the switch is helping France it is not helping the Socialists, who are being dragged into a never-ending debate about who they think they are and what they want to do.

President Mitterrand's one outstanding success has brought no rewards for his own party and has served to strengthen his opposition. That success is the dramatic reduction of the influence of the Communists, which is probably even greater than appears in election results.

The Communists, who regularly won between a fifth and a quarter of the vote in two postwar generations, are now down to half of that. They recently tried to recoup by flexing their economic muscle with protest strikes, by and large a failure. They are steadily losing ground in factory and union elections that are almost more serious from their point of view than the general vote. They are having to concentrate on putting down rebellions within their own ranks.

This was precisely what Mr. Mitterrand set out to achieve when he made a coalition with the Communists to take power. But he thought would lead to the formation of a strong, self-sufficient Socialist Party capable of winning a majority on its own. It has not. The Socialists not only are not picking up Communist losses, they are sagging, too.

What one wry commentator called Mr. Mitterrand's "great public service" has not served his own aims because he has not been willing or able to wear his party from its traditional dogma to a program matching its newly pragmatic practice.

It is hardly surprising that promises to return to the old ways (which worked so badly) as soon as the crisis of recession is over have no popular appeal. But Lionel Jospin, the Socialist secretary-general, who has a vivid tongue, insists that having to "furl your sails in a storm doesn't mean you've changed course."

It was Mr. Jospin who quipped, when there was talk of a center-left coalition with a Socialist-Communist coalition three years ago, "The center in France reminds me of the Bermuda Triangle. Whenever anyone approaches it he disappears."

Although the Communists quit the government, Mr. Mitterrand and Mr. Jospin fear that their party would fray and split if they now called on the faithful to reform the Socialist catechism. But the actual result is that their followers are demoralized. While the general electorate does not believe that the Socialists have really changed, the party activists feel that the leadership may indeed have jettisoned their ideological tenets.

French Socialists never made the transformation from orthodox leftism to Scandinavian-German-Austrian-style social democracy, which some of their motley adherents seek. It is hard for a traditional party to undertake a housecleaning while it is in power. But if the Socialists don't, they will have the chance of doing it out of power within a few years.

This impasse reflects trends of long-term importance. France is changing between the old barricades between right and left. Despite their applause for Mr. Reagan, the French are looking for another way to go, and without following his example.

The New York Times

LETTER

America and India's Tilt

In response to "Gandhi Adheres to Nonaligned Policy" (Nov. 13):

Criticism is leveled against India's "professed" nonalignment, but this is much less absurd than U.S. lip service to the cause of democracy to the world. Successive U.S. administrations have aligned themselves with the most despotic client states or toppled democratically elected regimes. The Sandinista landslide in Nicaragua is dismissed as a farce by the same Reagan administration that hailed the democratic process in El Salvador, where a U.S.-backed candidate obtained a smaller popular mandate.

The United States would like to prop up Pakistan as its chief client in South Asia, with the help of China, by presiding over the fragmentation of India. America has continually pushed India toward a Soviet tilt.

M.K. AGARWAL
Paris.

For Ethiopians, the Dark Ages Continue

By Jack Shepherd

This is the first of two articles.

WASHINGTON — Why do six million Ethiopians face starvation? Why are 150 million other Africans in dire need of food?

The usual reasons given are drought, poverty and rising population. But in Ethiopia, as in many other countries with repeated famines, these explanations do not suffice. In Ethiopia people are starving primarily because of mismanagement on a grand scale, bad policies and international politics.

Contributing to the misery are traditional conflicts between rural peasants and urban bureaucrats; environmental degradation resulting in part from guerrilla warfare; prolonged indifference by the United States, the Soviet Union and other potential benefactors. Compounding it all have been frictions inside the Marxist government of Mengistu Haile Mariam that continue to hinder the relief effort.

To this day, city people in Ethiopia hold onto a centuries-old attitude that peasants always starve.

History bears them out. The first recorded Ethiopian famine was in the 9th century. Ten major famines cut down the peasantry between 1540 and 1724. After another outbreak of hunger in the 1820s, the great Ethiopian famine of 1888-89 swept through four provinces and killed perhaps 50,000 people.

Two severe famines have struck Ethiopia recently. In 1965-66 one out of every two Ethiopians in the Wag and Lasta districts of Wollo province died from hunger. From 1972 to 1974 drought and starvation spread across the provinces of Wollo, Tigre and Eritrea. Some 250,000 peasants quietly starved to death — as their parents and grandparents had. That toll may now be exceeded by the current disaster.

All this has produced a certain fatalism about famine. Yet in fact governmental mismanagement and exploitive policies have had as much to do with peasants starving as drought and crop failures.

When the Scottish explorer James Bruce went into an Ethiopian countryside in the 18th century, he wrote that "the farmer in Abyssinia is always poor and miserable."

To the problems of drought, floods and insects, he said, must be added the greatest plague of all: "bad government, which speedily destroys all the advantages they reap from nature, climate and situation."

In response to famine, Ethiopian governments tried prayer in the 19th century and denial more recently. For six months in 1973-74 the government of Haile Selassie refused to admit that drought and famine were sweeping across Ethiopia; food-giving nations also remained silent. In August 1975 the emerging revolutionary Ethiopian government ordered in writing that all relief activities halt.

Until the overthrow of Haile Selassie in 1974 the Ethiopian peasant lived and died in social conditions similar to those of European peasants of the Middle Ages. He paid a

land tax that might take up to three-quarters of what he produced, and education and health taxes that returned neither schooling nor decent medical treatment. He supplied produce, firewood and labor to his landlord's house and grainary, and gifts at holiday time.

Even the so-called "communal" system in Wollo and Tigre peeled off half the peasant's productivity and gave it to the landlord.

Redistribution of land in the late 1970s brought little long-term relief. The landlords were killed, or they disappeared, but the revolution also eliminated the market forces who dealt in seed and fertilizer. Poor farming practices, coupled with a population growth rate that resulted, by a conservative estimate, in a doubling every 25 years, prolonged suffering during this transition.

By this time the countryside was

paying a heavy price in soil erosion caused by deforestation. As peasants cut down trees for firewood, roots holding topsoil were lost, rivers of water cut through farmlands and agriculture suffered terribly.

In 1974 the revolutionary government set up a Relief and Rehabilitation Commission to investigate the 1972-74 famine. The commission cited poor use of land, damage inflicted on vegetation by cattle and goats, and government indifference.

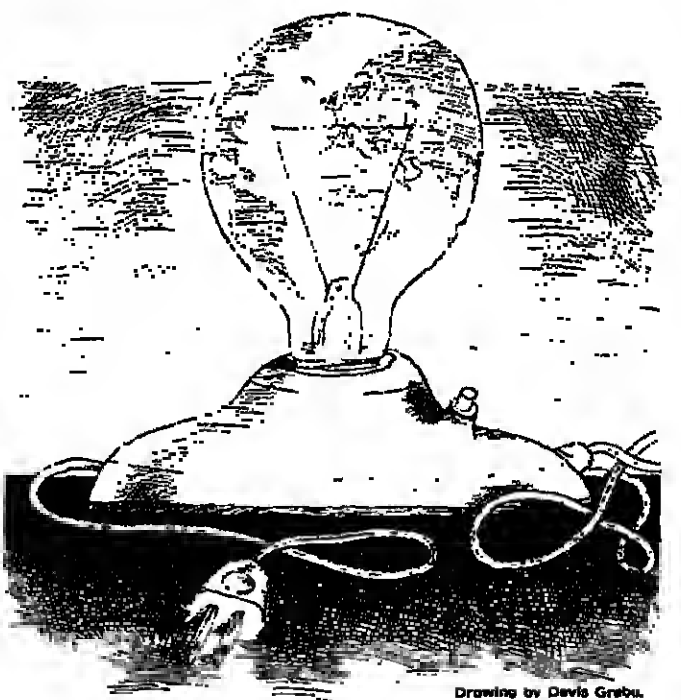
Drought has of course exacerbated the problem. By 1982 the provinces of Tigre, Wollo and Eritrea had received little rain for five years. In some periods rainfall was only 30 percent of normal. Harvests were so poor that the peasants survived by eating cactus fruits and wild grass seeds.

In the early fall of 1982 the government issued an international warning to major food donors, including the United States, stating that some two million Ethiopians needed emergency sustenance.

Until July 1983 the Reagan administration ignored the alert. A letter to me from a Catholic Relief Services official said: "We have been agonizing since November 1982 as to how to get the administration to turn around.... Our November request to USAID for \$38 [metric tons] for distribution to Wollo did not receive a favorable response until May 1983."

Having first ignored Ethiopian requests for emergency food aid, the Reagan administration then denied them. Food, it appeared, was to be an instrument of U.S. foreign policy. The Marxist government was the only African nation whose entire U.S. food aid allotment was eliminated by the Reagan administration in its fiscal 1984 proposals. Only after prodding from Congress and the press did the administration begin to late 1983 to ship a total of 41,000 tons of food aid.

The writer, a senior associate of the Carnegie Endowment for International Peace and author of "The Politics of Starvation," contributed this comment to The Washington Post.



Drawing by Davis Grebow.

Marcos: Unchanging Rule for a Changing Country

By Guy Sacerdoti

MANILA — Despite the conclusions of the Agra fact-finding board, Benigno Aquino was murdered by a military conspiracy, President Ferdinand Marcos must be satisfied that his tactics for staying in power are working, at least for now.

While his 19-year rule has not begun to regain either the public credibility or the legitimacy that it had before the Aug. 21, 1983, assassination of Mr. Aquino, Mr. Marcos has re-established a political equilibrium that allows him wide latitude.

What with the split decision of the Agra board, approval of an IMF rescue program for the economy and the re-election of President Reagan,

Mr. Marcos has enough options to keep the increasingly vibrant opposition at a safe distance.

His decision to place the trial of those cited in the Agra findings under the jurisdiction of a special court gives the government prosecutor, a Marcos appointee, the option to dismiss individual cases before charges are drawn up.

With legal procedure and influence overshadowing the substance of the accusations, Mr. Marcos has sidestepped the dominant issue — whether those accused will be held publicly accountable for their actions.

Sources in the presidential palace say Mr. Marcos favors reinstating General Fabian Ver after an expected acquittal and then retiring him after a decent interval. Advisers concerned with the reaction of foreign bankers and Washington say General Ver's absence should be left indefinite.

The bankers' concern lies in the just-completed negotiations for an economic recovery package, covering nearly \$10 billion of the \$25.6-billion foreign debt. Since successive 90-day moratoriums on principal repayments began in October 1983, the economy has gone from bad to worse.

Climaco: 'Pick Up the Keys at My Office'

By Charles C. Keely Jr.

LOS ANGELES — César C. Climaco loved tree houses. The mayor of Zamboanga at the southern tip of Mindanao also loved children.

In 1960, during his first term, he built a tree house in a city park — a fully equipped, fantasy-come-true tree house for children at heart that is on every imaginative tourist's must-see list. Which is what brought me to Mr. Climaco's office a few weeks ago.

A slight man with shoulder-length gray hair, the 68-year-old mayor was bent over some papers, signing them "C-3." On the front of his desk was the bumper sticker: "I am not a dirty old man. I am a sexy senile."

Mr. Climaco had become a legend in the Philippines, partly for his eccentricities, mostly for his criticism of President Ferdinand Marcos. In 1980 this port city of 400,000 re-elected Mr. Climaco to a four-year term with an astounding 73 percent of the vote.

He vowed not to cut his hair, in protest against martial law declared by Mr. Marcos in 1972. Almost daily he would fire off telegrams and letters to the presidential palace in Manila to complain about government policies. He never received an answer, but he had each message printed in the local newspaper.

Outside city hall he erected a huge sign to keep out of murders and traffic fatalities. It was bordered in red paint to represent blood. Zamboanga's police work for the regional military headquarters, not for the mayor. Mr. Climaco thought that they were doing a very poor job, and his sign rubbed their noses in it.

He handed me a business card. His name was in the center. In the four corners were the words "No money," "No home," "No phooe," and "No address."

On the back was a poem that read in part: "The acts of charity that you do not perform are so many injustices that you commit."

He did not want to tell me about his tree house; he wanted to show it to me. He pushed aside his papers, and minutes later we were bouncing through the streets in his baby-blue jeep. In his belt, in mockery of the Philippine military's habit of going heavily armed in public, he wore a toy plastic water pistol. At his feet was a large brown bag from which he produced handfuls of hard candies that he threw to children along the way. "The kids can't vote," I suggested. "They can smile," he said.

At the park we climbed a curving metal staircase into the thatched wooden house in an acacia. Honeycombers who use it "are guaranteed a Mother's Day nine months later," he said, poking me in the ribs. The lodgings come with stereo, two beds, tiny bath, kitchen utensils, hot plate and telephone, all donated by the mayor. "I inaugurated this place, but I won't tell you who with," he said.

The guest book for this year showed visitors from Japan, India, Sweden, the United States, West Germany, Poland and Czechoslovakia. "It's for people on shoestring budgets. Pick up the keys at my office."

Then we were off to another tree house, this one in his own back yard.

He sat in a leather easy chair and showed me how he could pick fruit off the jackfruit tree that the house was built around. "Not bad, huh?"

He was planning another tree house in the newest park he was developing in the cool hills above the city. "There are 15 Stations of the Cross on this road," he pointed as we bounced up a bumpy red-dirt path. "The archbishop would only bless 14 of them." After a moment of silence I asked why. "Because the 15th is a comfort station," he guffawed.

The driver tooted a tiny horn and children emerged from the thick brush beside the road. More candies sailed from the vehicle, as fast as the mayor's one-liners. On the hill above was a windmill. "I talked the Australian ambassador into donating that. The American ambassador gets to donate the next one."

Four hours after my 15-minute appointment began he dropped me at my hotel. "How about dinner?" he asked, handing me a bag of "chico" fruit from his garden.

Zamboanga's called their mayor "Superman." They said "he gets things done." But he was mortal.

Last Wednesday, while inspecting the site of a fire, he was killed by an unknown gunman. President Marcos vowed to "spare no effort" in finding the assailant, but in a country still seething over the killing of Benigno Aquino, the mourning for César Climaco is bound to be bitter.

Los Angeles Times

NORTH AMERICAN REAL ESTATE

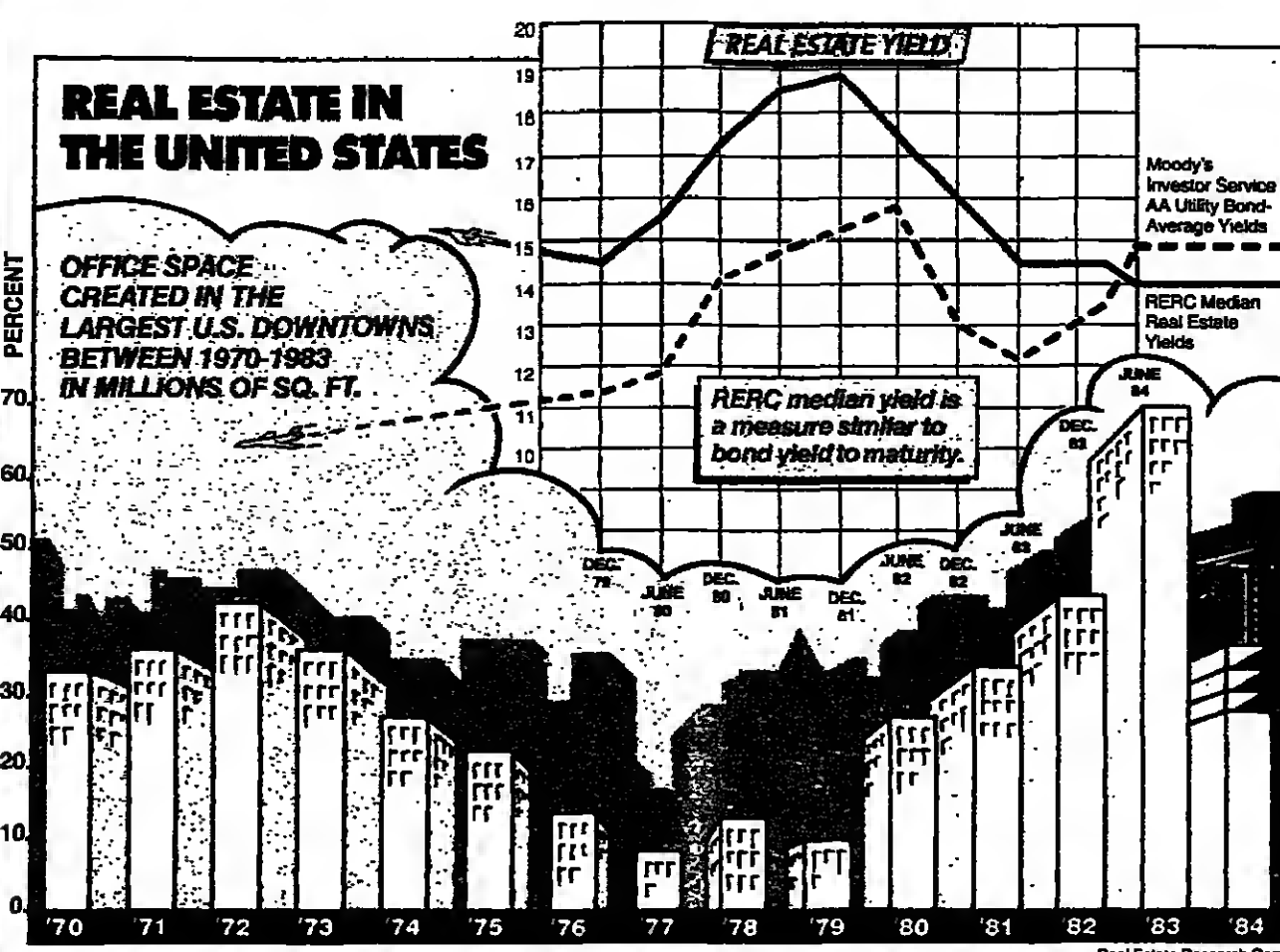
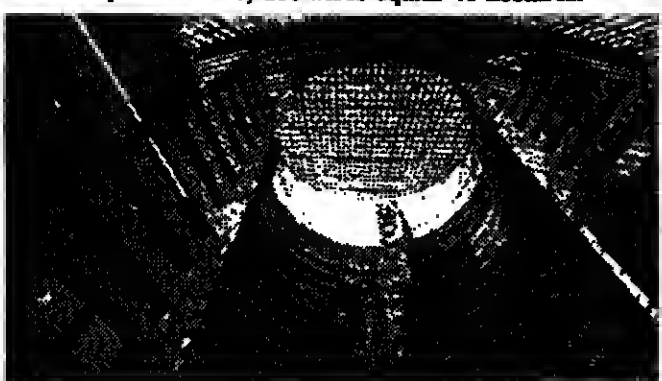
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Interior of the State of Illinois Center project, top, and part of the PPG complex in Pittsburgh, below. Figures in this report, following U.S. real estate practice, are given in Anglo-American measures; 100 square feet equals 9.2 square meters; 100 acres equals 40 hectares.



An Era of Caution In U.S. — Waiting For Dust to Settle

By Carter B. Horsley

NEW YORK — As the great construction boom of the last few years in the United States begins to wind down, somewhat chaotically, most major real estate markets and players are eager for the dust to settle so they can see where they are.

Investors are continuing, however, to fuel the construction juggernaut. New skylines are springing up quickly in such heretofore relatively quiet cities as St. Louis and Kansas City, Missouri, and Richmond, Virginia. There is little conventional wisdom because of the extreme volatility not only in the investment community but also in demographic trends, regional preferences and the workplace.

John R. White, chairman of the New York-based real estate consulting firm Landauer Associates, said: "Caution is very much in order these heady days." He added that the "Northeast is really booming and the bloom is off the Sunbelt."

Mack Pogue, chairman of Lincoln Property Company of Dallas, agreed. He said some savings and loans associations had been irresponsible in their plunge into real estate investing and could be the next fiasco, similar to real estate investment trusts more than a decade ago.

M. Leanne Lachmann, president of Real Estate Research Corp. in Chicago, wrote in a recent draft of "Emerging Trends in Real Estate: 1985" that "with limited experience outside of residential lending, many S&Ls are blithely entering one aspect of the real-estate industry after another."

Mr. Pogue said that many real estate syndications based primarily on tax advantages rather than income production were "a joke." He added, "Everyone needs to be cautious."

The federal government passed a new tax law this year whose impact on such syndications now is expected to be more severe than was widely thought originally. The complex law not only lengthens the period of depreciation for many types of properties from 15 to 18 years, but requires lessors and lessees and sellers and purchasers to treat accrued income differently and will permit interest on purchase-money mortgages to be less than market value even if the parties agree otherwise.

Jerry M. Reinsdorf, chairman of Balcor/American Express Inc., a major real estate syndication company in Chicago, said recently that the new legislation was "in part an annoyance, but no one is getting put out of business; it is a little sanity and there will be a shakeout — there already is."

Undeterred are such important organizations as Cushman & Wakefield Inc., a leading real estate brokerage and management company (Continued on Next Page)

A Long-Term Increase in Foreign Investment Is Expected

NEW YORK — Although the high value of the U.S. dollar deterred much foreign investment in U.S. real estate in the last year or so, many leading real estate consultants and analysts believe that the decline is temporary and that such investments will continue to be an important factor in many major markets.

John R. White, chairman of the New York-based real estate consultants Landauer Associates, said the most significant factor in foreign investment in U.S. real estate was the preparation of the Japanese to enter the market. Japanese life insurance companies are "ferociously studying" the market he said. "We foresee a major expansion of the Japanese institutional investor, not the private investor, and not confined to the West Coast."

A new report in the Urban Land Institute's ex-

cellent "Development Review and Outlook, 1984-1985," sheds considerable light on the seemingly elusive and always fascinating foreign investor. The report, written by Mahlon Appar, is based on data collected and analyzed by the International Trade Administration of the U.S. Department of Commerce and the Jones Lang Wootton Investment Research Department.

Foreign investment in U.S. real estate from 1979 through 1983, the report said, was almost \$50 billion. The peak annual investment was 1982's \$16.4 billion; the figure fell in 1983 to a little over \$4 billion. Canada, whose major development companies — fueled by substantial lines of credits from Canadian banks — have become a major force in most important U.S. cities in recent years, accounted for about 58 percent of foreign investment in the period under

study. Europe contributed about 28 percent, the Far East about 7 percent, South America about 6 percent and the Middle East and North Africa less than 1 percent.

Olympia & York, Cadillac-Fairview and Oxford Development were three major Canadian developers whose enormous commitment to new projects in cities such as New York, Dallas, Denver, Houston and Los Angeles placed them virtually on a par with the most important U.S. entrepreneurs. These include Gerald D. Hines, Trammell Crow and the Lincoln Property Company, all of Texas, Tishman-Speyer Properties of New York and Urban Investment of Chicago. Their influence and competition played a far more significant role in the reshaping of the U.S. skyline than mere dollar figures might indicate.

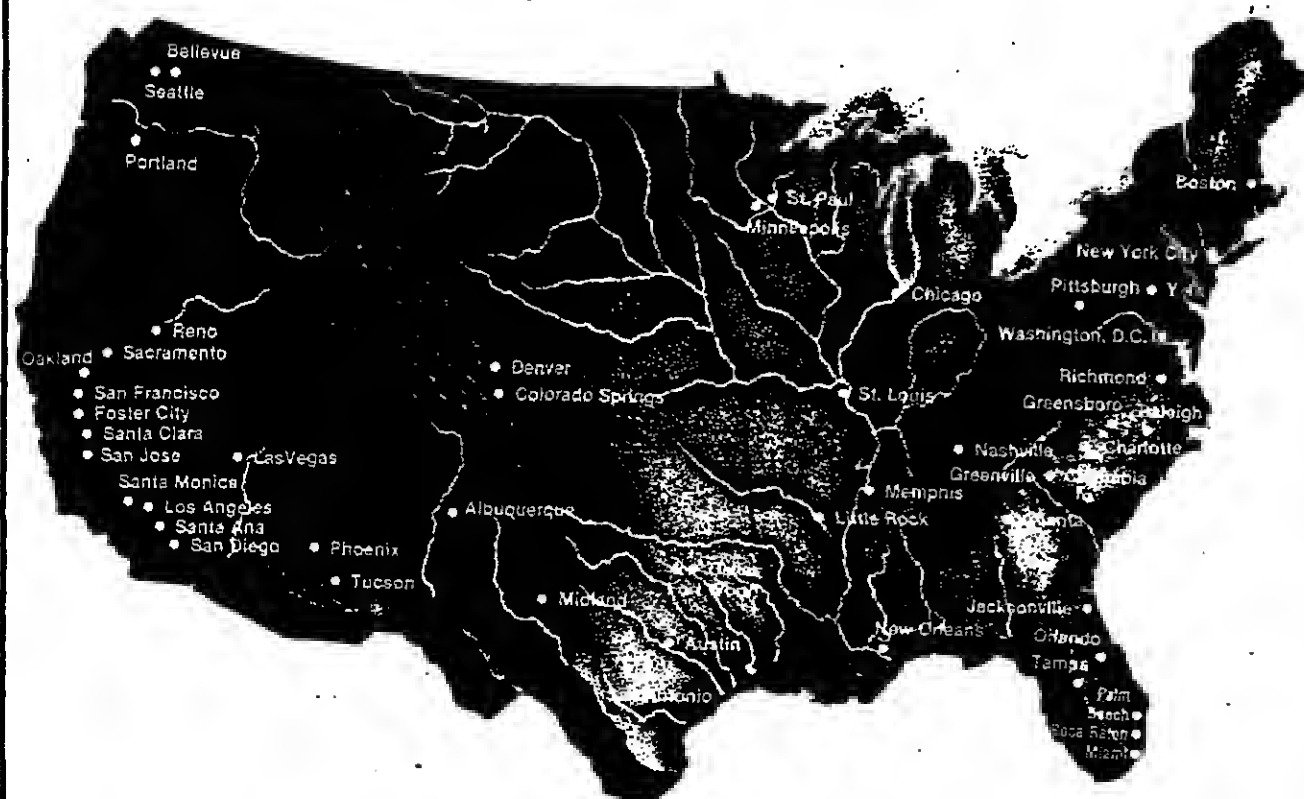
Mr. Appar noted in his report that, "for some years to come, Britain's position in U.S. real estate markets will doubtless be sustained by the financial depth and professionalism of its major pension funds." He estimated that British investment in 1979-1983 was about \$4 billion, that the Dutch invested about \$1 billion and that Singapore's Government Investment Corp. "has a multibillion-dollar real estate pool that is earmarked for U.S. investments."

Individual investors played a larger role than has been widely assumed, Mr. Appar said, reporting that a survey last year of developer members of the Urban Land Institute indicated that half obtained their foreign funds from individuals and only about one-third

(Continued on Next Page)

CARTER B. HORSLEY, a New York Times journalist and a specialist in real estate, wrote this special report.

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Building Design: Year of Mixed Verdicts

NEW YORK — To a certain degree, the architectural news in North America over the last year has been negative. Many of the best designs were not approved. Post-Modernism did not entirely sweep the marketplace, no new overwhelming talent emerged and nothing of the splendor of James Stirling's design for Stuttgart's Neue Staatsgalerie, the most distinguished project of the year, was on the drawing board.

Mr. Stirling was one of three finalists for the commission for the \$700-million J. Paul Getty Trust art complex on a Los Angeles hilltop. The winner, Richard Meier, is known for his slick, pristine work on such projects as the Bronx Developmental Center in New York and the more recent High Museum in Atlanta, which employs final pipe and wire railings in its Le Corbusier-inspired design.

The daring colors, twisting twists and turns, and grandeur of conception and finish of the Stirling project in Stuttgart were in marked contrast to the Murphy/Jahn Associates design getting completion for the State of Illinois's mixed-use building in Chicago. It was the year's greatest disappointment because its pallid pastel colors severely lessened the impact of its bold geometry.

The Stirling project included some humor in a facade section made to appear incomplete, a possible reference to the many intriguing works of the New York-based design firm Sculpture in the Environment, or SITE. The firm recently completed in Milwaukee another startling project, its eighth, for Best Products Co. The latest is a three-dimension-

al trompe l'oeil, "ghost" facade of monochromed merchandise on open shelving.

With its mix of constructivist elements, Beaubourgian shock, spayed windows, perforated metal staircases and the supreme artistry of its ramped, roofless rotunda, the Stirling project clearly demonstrated that the pastiches of the Post-Modern movement have alternatives in subtle interplays that would delight most Oriental purists and in blatant High Tech components that spur the need to invent rather than recall solutions to traditional problems.

Post-Modernism is by no means dead, but dissent is mounting. In the recent issue of the Harvard Design Review, Mark Mack of the San Francisco architectural firm Baty Mack expressed a hope for a more politicized and critical discussion of architectural ideas "in the face of the continuous titillation of the self-indulgent, irresponsible, joke-like architecture of the Post-Modern movement." He said it was "difficult to find anyone pointing to a sober, rational future."

There are, of course, some fine Post-Modern or romantic new buildings, such as the Meridian Hotel in New Orleans; Robert A. M. Stern's Point West Place, a medium-sized suburban project for Gerald D. Hines Interests in Framingham, Massachusetts; and Matthew Growald's exuberant and literal recollection of the Crystal Palace for Trammell Crow's large computer mart in Dallas, now nearing completion.

Mr. Crow is becoming slightly more adven- (Continued on Page 9)



Murphy/Jahn design for a 69-story tower in New York's City Center for the Performing Arts.

Canada's Mandate to Reverse the Slump

MONTREAL — Prospects for a better Canadian economy were significantly improved by the strong mandate achieved by Brian Mulroney and his Progressive Conservative Party in the September election.

Mr. Mulroney has pledged to reverse much of the economic isolationism that prevailed under Pierre Elliott Trudeau. For example, the Foreign Investment Review Agency, created in 1974 to ensure that activity of companies wishing to do business in Canada was in Canada's interest, is being overhauled to encourage foreign investment. (Over the last three years, U.S. investments alone have declined in Canada by more than \$3.5 billion.) Last month the new government approved all 24 foreign-backed investment projects recently submitted to the agency, now known as Investment Canada. The government has said it will ask Parliament to relax procedures for screening foreign investment projects.

The hard realities of Canada's economic plight — a deficit of close to \$25 billion and an unemployment rate about 50 percent higher than the U.S. rate of about 7.5 percent — will certainly not dissolve quickly. Canada's riches in natural resources will require significant venture capital as well as a greater market demand. The major real estate markets began to slow down some time ago, however, and serious overbuilding is a problem primarily only in Calgary and, to a lesser extent, Edmonton. Calgary's woes are likely to linger until close to the time it hosts the 1988 Winter Olympics. Also in the West, Vancouver is sprucing up for its World Transportation Fair 1986 while waiting for its province's economy to improve.

In the east, the big news is that the separatist movement in Quebec is losing momentum. Mr. Mulroney has indicated a strong resolve to get the province to accept the Canadian Constitution. After several years of stagnation and seeing Toronto overtake it as the country's financial capital, Montreal is beginning to recover and even see new construction.

According to a report in the Urban Land Institute's recently published "Development Review and Outlook, 1984-1985," A. E. LePage Commercial Real Estate Services' Research and Analysis department reported that "the economic recession was particularly severe in Canada, but 1983 was a year of recovery" in which the real gross national product rose 30 percent after having declined 4.4 percent in 1982; it is expected to increase 3.3 percent this year.

LePage said office completions in metropolitan Toronto last year reached a record 6.6 million square feet, compared to 4.1 million in 1982 and 6.3 million in 1981. Total inventory at the end of 1983 was about 84.5 million square feet, of which about 45.8 percent was in central Toronto. The vacancy rate was 9.8 percent compared to 6.7 percent in 1982. The report forecast a total of 3.2 million square feet this year and 5.5 million next, with rents ranging up to about \$35 a square foot for the best space and up to about \$14 a square foot in the suburbs.

Toronto's city council approved a major long-term plan last December to redevelop central rail yards owned by Canadian National Railways and Canadian Pacific Ltd. — something of a reversal of town planners' desire to decentralize development along public transportation lines.

In Montreal, LePage reported, office vacancy was down to 1.5 percent in early 1982, leading to the creation of about 4 million square feet in 1983. This brought the metropolitan area inventory to about 35 million square feet, 27.5 million of them in the center city. Absorption in the range of a few hundred thousand square feet a year, so the vacancy rate rose to 12.6 percent for the metropolitan area at the end of 1983. Vacancies in central Montreal, however, began to decline in the first quarter of this year, from 16.5 percent at the end of 1983, to 14.5 percent.

Hardly any space is planned to become available this year and next. The old Mont Royal Hotel will close in January for conversion to offices, none of which will come on the market before 1986; and two major new buildings, one on Dominion Square and the other on Rue McGill College, are going up, which will help reinforce the vitality of a city abounding with chic boutiques and a substantial nightlife, including a handsome new discotheque, ZigZag, one of the continent's handsomest examples of Post-Modern design, in the Four Seasons Hotel.

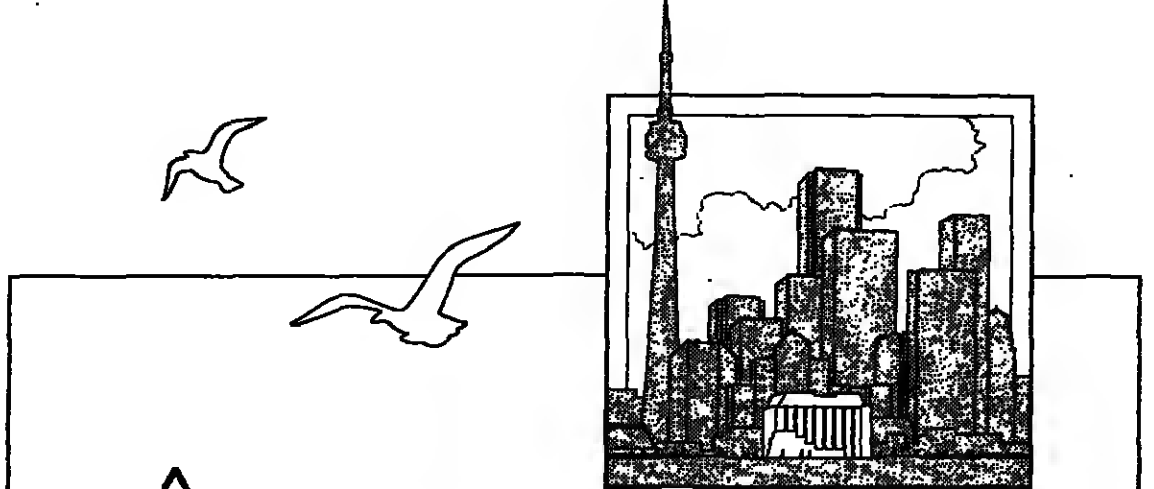
Harry Ramsall of Merrill Lynch Canada in Toronto said Montreal was more positive now than it has been in the last five or six years. Rossa O'Reilly of Wood Gundy Inc., a Toronto investment firm, concurred. Montreal "is undergoing quite a correction after what amounted to perhaps a 10-percent decline" in recent years, he said.

Mr. O'Reilly said that, while it was too early to assess the impact of the new government, the elections provided most people with a "certain measure of comfort and an anticipation of a (Continued on Page 11)

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WATERFRONT LIVING

Era of Caution: Waiting for Dust to Settle

(Continued From Previous Page) based in New York; and Tishman-Speyer Properties Inc., a leading national developer, also based in New York.

More than \$4 billion was raised in public syndications last year in the United States. One forecast is that the figure will top \$6 billion before the end of this year, when the new tax law takes effect. Private syndications are estimated to total several times the public figure.

"Money speaks louder than vacancy," said Miss Lachmann. "The availability of capital is the driving force behind the new construction." She added that most developers, managers and lenders surveyed for her report were "reconciled to flat or modestly increasing rents over the next few years, and they accept the fact that erratic interest rates have become normal."

Mr. Reinsdorf said that when Balcor began in 1971 it raised about \$7 million, which was "then about the most raised by anyone." In 1984, he said, it expects to raise about \$800 million, up from \$650 million last year, \$296 million in 1982 and \$142 million in 1981. About half the money his 25-person wholesaling staff raises comes from pension funds, he said. The company also has selling arrangements with about 400 investment brokers across the country.

"The thing is not to fall in love with anything," Mr. Reinsdorf said, "and not buy at a higher price than reproduction costs." He said he was "very high on Florida, but not Miami; Houston has enough office space to go through the next two cycles; Kansas City and shopping centers are good and you can't find enough mobile home parks."

Jerry I. Speyer of Tishman-Speyer Properties agreed that Miami was not "hot now," but he is developing a large office complex there anyway, on Brickell Avenue. "It is logical it will boom again," he said.

Benjamin V. Lambert, head of Eastdil Realty in New York, said

that the capital markets are "more complex than ever and we are getting overbuilt." He predicted that it would become increasingly difficult "to enjoy the advantages of noncash losses" — a reference to recent, and possible future, changes to tax laws affecting many real estate syndications.

"Inflation could go lower," he said, "which really scares me because the whole economy is geared and structured and planned to deal with a certain level of inflation." Although real estate has experienced and outperformed several stable periods of low inflation, an abrupt change is bound to affect many parties.

Landauer Associates' Mr. White, who believes real estate has proved its ability to do well in prolonged periods of low inflation, said it was apparent that "the economy is running out of steam, and that could easily happen in the second half of 1985 or mid-1986 at the latest." He predicted, however, that even if the U.S. dollar declines, foreign investment in North American properties will be stronger than ever.

With the exception of Houston, which has more than 30 million square feet of office space available, there is generally little sense of gloom. "Real estate is evolving into a mature investment medium that is approaching equal footing with stocks and bonds," Miss Lachmann said.

"The driving forces are high flow of funds, multifaceted and layered financing and large-money players. A sophisticated and much enlarged investment community is more knowledgeable about risks and rewards of real estate. There are many developers capable of handling \$50-million deals, and deals are now considered 'big' when they are \$250 million or more. Recent changes in the way real estate is financed and the increasingly institutional underpinnings of the industry have produced a more stable environment for investment and development."

A few years ago, "megastructures" and large-scale projects had become virtually unthinkable, but billion-dollar dreams are now rather common. In San Francisco, for example, an agreement with the city was reached in August to cut the \$4-billion Mission Bay proposal by Santa Fe Southern Pacific Corp. in half, to 4 million square feet of office space and 7,000 units of housing.

Tishman-Speyer Properties has become involved in Ecumed, a \$3-billion mixed-use project aimed at the health-care industry proposed near Fort Lauderdale. The firm also is developing a master plan for about 17 million square feet of office space for the Chicago Dock and Canal property as well as major projects in North Carolina and New York City. Light rail and transit systems are being built and planned in many cities.



1999 Broadway, left, under construction in Denver, provides a soaring backdrop to church in center. Right, the 52-story City Center 4, which was recently opened.

The physical transformation of U.S. metropolitan areas is dramatic. Libby Howard and J. Thomas Black note in an article on development patterns in "Development Review and Outlook: 1984-1985," just published by the Urban Land Institute in Washington: "Since 1970, about 24 million new housing units have been constructed, just under 25 percent of the stock. In 1972, 1.63 billion square feet of gross leasable space was in shopping centers. By a decade later, it had doubled to more than 3.2 billion. Since 1970, more than 2 billion square feet of office buildings had been developed and in many areas the amount of new, less-than-10-year-old space, exceeds older space. Over 2.6 million hotel rooms are available, of which about 850,000 are less than 10 years old, and more than half the current inventory of industrial parks has been developed since 1970."

The authors conclude that the demand factors that have sustained high levels of activity over the past decade and a half "seem for the most part likely to continue strong, if not as strong as during the 1970s." They also said evidence suggested that deconcentration trends would continue; the growth rates of suburbs, small cities and rural areas, and of less densely settled states and regions, is expected to exceed the U.S. growth rate, in some cases dramatically.

They noted that about 43 percent of U.S. households live in suburbs, 32 percent in central cities and 25 percent in nonmetropolitan areas. In 1978, central business districts in metropolitan areas had about 55 percent of the total office space, but that figure had declined by 1982 to 50 percent, and suburbs are increasingly becoming more self-sufficient.

F.W. Dodge Construction Reports, published by McGraw-Hill Information Systems, said 281 million square feet of office space was built in the United States in 1983, 8 percent more than in 1982 and 13

percent less than in 1981. In July, Dodge forecast that the total for this year would be about 236 million.

Coldwell Banker, a brokerage, reported a nationwide vacancy rate at the end of the first half of this year of 16.5 percent, up almost 5 percentage points from 12 months before. Suburban vacancies were substantially higher than downtown vacancies.

A midyear report by the Office Network, a group of major real estate companies, cited 21 major office markets with 11,000 buildings and 1.3 billion square feet of multitenant office space, indicating an upswing in office leasing. It also reported absorption of 32.2 million square feet in those markets in the first half of 1984. Vacancy rates, the report said, were down from 15.2 percent to 14.4 percent despite large gains in new space, and rents increased 6.1 percent from the end of 1983. Suburban buildings account for 63.2 percent of the total space under construction: 132.4 million square feet.

Competition by cities for high-technology companies and new development in general has become intense, with many taking out expensive advertisements in national magazines. The situation has been exacerbated by the expectation that fewer federal funds will be available as incentives, and by an increasing belief that most job growth will come from smaller, more entrepreneurial companies.

In its annual report on the business environments of the states last month, Inc. magazine noted that in the last year seven more states had established government-sponsored venture-capital funds, for a total of 15. The magazine ranked Connecticut first on five major factors (capital resources, labor, taxes, state support and business activity), then Massachusetts, California, Minnesota, Texas, New Hampshire, New York, Washington, Kansas, New Jersey, Virginia, Colorado and Louisiana.

Increase in Foreign Investment Is Expected

(Continued From Previous Page)

from institutions. The same report indicated that about 29 percent of the funds came from Continental Europe, 25 percent from the Middle East, 18 percent from Canada and 14 percent each from Britain and the Far East. It also said 69 percent of the money was cash.

The report found that New York garnered about 22 percent of foreign investments from 1979 to 1983, followed by Dallas with 12 percent, Houston with 10 percent, San Francisco and Los Angeles with 9 percent each, Miami and Denver with 8 percent each, San Diego and Boston with 4 percent each, Seattle, Phoenix, Washington and Chicago with 3 percent each and Atlanta with 2 percent.

Office properties constituted almost half the investments in this period, the report said, followed by about 20 percent in retail properties, 10 percent in hotels, 8 percent each in land and residential properties and smaller percentages in recreational and industrial properties.

"For all the anxiety about the shift from the older cities in the Northeast to the Southeast," Mr. Aggar wrote, "foreign capital has not been ignoring the former." While New York in 1979 received almost two-thirds of all foreign investments, by 1983 its share had fallen to 5 percent, but Boston has jumped to 14 percent and toward the end of the period a shift to second-tier cities began.

"Led by shrewd investors and strategists," Mr.

Aggar wrote, "investors placed renewed attention on selected state capitals, university towns, regional centers and older manufacturing centers being transformed for the high-tech age — Baltimore, Jacksonville, Nashville, Austin, Indianapolis and San Jose."

He concluded that "the location of investment is likely to shift from the saturated markets of recent years, especially the Southwest, to those that are strong economically and have restrictions, character and a sense of history."

"In zoning and physical limitations and in the procedures for development," he continued, "cities like Boston and Washington, D.C., New Orleans and San Antonio are more predictable and structured, making competition and growth more systematic and businesslike."

Among the major foreign deals of the last year was the decision of Barclays Bank International Ltd. to develop a 36-story, \$200-million North American headquarters on Wall Street with London & Leeds Corp., the U.S. real-estate arm of the Ladbroke Group. Another was the major new office building at 1001 Pennsylvania Avenue in Washington, financed by pension clients of Lehndorff & Babson Real Estate Counsel Inc. of Dallas & Boston.

Charles Grossman, president of Schroder Real Estate in New York, observed that many of his company's offshore investors were expanding and renovating their U.S. holdings, primarily shopping centers, "as it is more profitable than buying" because of the high value of the dollar.

FROM THE NEW YORK TIMES, OCTOBER 21, 1984.

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The number of single-family residences built in Manhattan in the last two decades can probably be counted on two hands. And most of those went up at the behest of the wealthy individuals creating city homes for themselves.

This makes even more remarkable a speculative project now under construction at 7 East 69th Street. Without a buyer in sight, Joel M. Levin and Nathan Stambouli are building a six-story, single-family house on a 21- by 100-square-foot parcel there. Since the site is in the Upper East Side Historic District, the design of the architect, Hubert Betts, for a limestone and rose-colored brick facade had to be approved by the Landmarks Preservation Commission.

Among the special features of the 10,000-square-foot, six-bedroom house are a 16-by 19-foot library, a full-floor master bedroom suite and two top-floor terraces. The asking price for the house, scheduled for completion by March, is \$5.5 million.

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A SPECIAL REPORT ON REAL ESTATE

Los Angeles Market Remains Solid

LOS ANGELES—The good news this year was that the feared Olympics came, conquered and were highly profitable, that the city's major international airport sprang itself up just in time for the Games and that Governor George Deukmejian signed a bill in September to help finance construction of the planned 18.6-mile Metro Rail subway in Los Angeles.

The bad news was that local business did not fare as well as it hoped, that Robert Wilson's famous "CIVIL WAR" theatrical production—which was supposed to be the highlight of an Olympics arts festival—was canceled for lack of funds and that two major new high-rise complexes, California Plaza on Bunker Hill and Citicorp Center on Figueroa Street, are coming out of the ground and do not look as sensational as other recent projects.

Development in central Los Angeles, however, is continuing strongly. Robert Maguire commissioned the architectural firm of I. M. Pei to do a 76-story office tower, Reliance Co. is building a handsome medium-size office tower at 1000 Wilshire Boulevard, designed by Kohn Pedersen Fox of New York. The adjacent Hilton Hotel is scheduled for a major renovation.

Across from the Hilton, Citicorp Plaza—a major development of Oxford Development Co., also a major developer in Denver, Minneapolis and St. Paul—will have three office towers clustered about a large circular spaceframe over the entrance to an extensive retail center including two major department stores.

A major new development in the planning stages, for about 900 acres north of the Los Angeles International Airport, involves several thousand housing units and several million square feet of offices. The office and hotel markets of the Century City neighborhood continue to be reinforced with new construction.

Long Beach and Newport Beach are becoming increasingly attractive. Kajima, a Japanese company, has ordered a twin, circular-towered World Trade Center project in Long Beach.

Robert Ortiz of the real estate company Cushman & Wakefield Inc. said central Los Angeles was a solid market. He cited several substantial transactions, including the purchase of the Union Bank building by Equitable Life Assurance Society of the United States for about \$175 million, almost double its price of the previous year. The airport area, Mr. Ortiz said, is still overbuilt.



At right, the new tower under construction in central Los Angeles is the first of three towers in California Plaza. It was designed by Arthur Erickson.

Design: Year of Mixed Verdicts

(Continued From Page 7)

turous in his design commissions, the newest of which will be a 53-story, 1.4-million-square-foot office tower in Dallas. Designed by Richard Keating of the Houston office of Skidmore Owings & Merrill, it will feature a six-story keyhole opening beneath its rounded top, to permit natural light to penetrate into a sky-lobby and to the other side of the building. The same architect also designed Mr. Crow's handsome, dark, pyramid-capped LTV tower. Both projects are solidly monumental in contrast to many of the competition's flimsier efforts.

Perhaps the best Post-Modern design was the tower by the New York architectural firm Hardy Holzman Pfeiffer for the New York Historical Society on Central Park West. It would have filled a gap between the great San Remo and Bessie Ford buildings with a complementary tower, but New York's Landmarks Preservation Commission ruled it unacceptable.

Another worthy design that ran afoul of community activists was James Stewart Polshek's six-story residential and retail project on the Avenue of the Americas in Greenwich Village in Manhattan. This was one of the best mid-rise residential projects in the United States, rich in rhythms and scale. It was attacked for its lack of traditional corners.

At a recent meeting of the Urban Land Institute in Boston, Philip Johnson, of the New York architectural firm John Burgee with Philip Johnson, argued that there should be more, not less, "foreground" as opposed to "background" buildings. "We are in a free-wheeling period," he declared.

His firm's design of the United Bank Plaza in Denver, however, is an example of a foreground building in a background situation that is not successful despite its superbly detailed facade and cascading double-arc rooftop and lobby entrance, which do not relate to anything in the vicinity. The entrance to the building, which is known locally as "the mailbox" because of its hiccup of a rooftop, is wedged unfortunately into a crowded site.

Better site conditions resulted in better designs by the same firm for PPG Industries in Pittsburgh and the Times Square Redevelopment project. The former, recently completed, is a reflective glass ensemble of one tower and five low-rise buildings forming a plaza in English Perpendicular style that works well in the modern idiom. Its only major flaw is a truncated beige obelisk in the center of the plaza.

The Times Square project is a serious attempt by Mr. Burgee and Mr. Johnson to create a Rockefeller Center environment. But Rockefeller Center was the apotheosis of a new architectural style, Art Deco, while the office portion of the Times Square project, being developed by George Klein of Park Tower Realty, is an exploded throwback to Mansard, with dainty cast-iron rooftop tailings evoking the spirit of several neighboring older structures that are not necessarily the dominant ones in the area.

Mr. Burgee and Mr. Johnson have designed a 35-story elliptical building for Gerald D. Hines Interests and Sterling Equities on the east side of Third Avenue between

53d and 54th Streets. At first glance the design seems more like the Houston work of Cesar Pelli in its rather bold use of maroon banding. Its detailing is elegant but its setbacks interrupt the fluidity of the elliptical form without any relevance other than to the city's convoluted zoning.

Apart from Times Square and Battery Park City, the most important commission of the decade so far in New York was for the large lot at 60 Wall Street that Mr. Klein took over after the Bank of New York decided belatedly against tearing down its spectacular limestone skyscraper after raising a similar one next to it to enlarge the building site. Mr. Klein selected Mr. Roche for this assignment. His plan is a 52-story tower of 1.7 million square feet.

At first glance, this project looks like a Murphy/Jahn design because of its use of blue glass with what appears from the rendering to be gray granite. The building is completely at odds with its neighbors, one of the world's greatest classical limestone skyscrapers (the Bank of New York building), two of the world's great Art Deco spires (the American International Building at 70 Pine Street and 40 Wall Street) and two of the great Skidmore Owings & Merrill monuments (the Marine Midland Bank Building and the Chase Manhattan Plaza).

Undaunted, Mr. Roche has jumbled together a variety of column forms that might have worked well on a 170,000-square-foot, modest tower but that appear grossly out of scale at 10 times that size.

For Bruce Eichner, Murphy/Jahn has designed a 69-story tower capped with a small Byzantine dome in homage to the large dome of the City Center for the Performing Arts, whose air rights are involved in the project. The rendering of the plan, however, promises an awkward design because the dome atop the asymmetrical tower

looks more like a yarmulke than a great architectural crown.

Murphy/Jahn has also designed a medium-sized tower for Olympia & York on Lexington Avenue just north of the Chrysler Building, a formidable architectural neighbor.

As expected, the Murphy/Jahn design is no passive background building but a flashy, sparkling tower. It resembles one of those crystalline bathroom faucet knobs that one does not know whether to turn, push or pull.

A far more successful Murphy/Jahn design is 701 Fourth Avenue in Minneapolis, a modest, blemished office building whose asymmetrical form of stepped terraces peels away to reveal an inner core of considerable gracefulness.

Minneapolis's tradition of excellent modern architecture will be perpetuated with Mr. Pelli's design for the Norwest Center, a 950-foot-high tower (not counting a 100-foot antenna) that pays homage to the city's two premier towers: the IDS building designed about a decade ago by Philip Johnson and John Burgee, and the Foshay Tower, designed in 1927 by Marney & Tuxler Inc.

The Norwest Center is a mixed-use project of considerable elegance. Its tower changes from a square shape to an octagon, capped by a stepped pyramid with an observatory. The windows will widen in size and its granite mullions lessen in size as the building rises, to achieve a diaphanous effect. This is in sharp contrast with Mr. Pelli's more recent abrupt facade changes, epitomized by his designs for the World Financial Center at Battery Park City and the mixed colors of his Museum of Modern Art tower.

The New York architectural firm Kohn Pedersen Fox, which produced the best building of 1983, at 333 South Wacker Drive in Chicago, surpassed the Burgee/Johnson team in number of important and innovative projects. Its most im-



Central Dallas with the new LTV Tower designed by Skidmore Owings & Merrill, far left; and multi-bayed tower developed by Lincoln Properties, center, and 70-story InterFirst Plaza nearing completion developed by Bramalea.

portant one is 383 Madison Avenue, a giant, block-square tower for First Boston Corp. in Manhattan. Preliminary designs indicate a richly complex structure of setbacks, slants and strong articulation clearly indebted to the great Art Deco skyscrapers.

Kohn Pedersen Fox has designed a second major project in Chicago for Aetna Insurance's Urban Investment & Development Co. The first project was 333 South Wacker Drive, the firm's masterpiece to date because of its subtly curved riverfront facade of green glass and the precise, rich detailing of its stone base, highly reminiscent of Art Deco.

Another firm gaining many major commissions is the Zerafa Menkes Housden Partnership in Toronto, whose masterwork was its 1978 gold glass twin-towered project for Royal Bank of Canada in Toronto. The firm's latest work includes a dramatic, terraced new City Hall being built in Calgary, Alberta, and the twin towers, one gold, one silver, of the Sun Life Center nearing completion in Toronto.

Among other handsome new projects is the shimmering InterFirst Plaza, a 70-story tower, the first of two planned by Bramalea Ltd. and PIC Realty Corp. for their

Dallas Main Center complex; Rafael Viñoly's striking design for a luxury condominium tower just east of the Sheraton Center on West 52d Street at Seventh Avenue, in Manhattan; the Merritt Tower in Baltimore, a mixed-use design by the Hillier Group that treats its corner site like the prow of a ship; William Kessler's Battle Creek (Michigan) Railroad Station, with its glass block canopy columns; the Galaxy movie theater complex in San Francisco, which was designed by Kaplan/McLaughlin/Diaz; and the Jerde Partnership's management of the design elements of the Los Angeles Olympics, a festive Post-Modern romp.

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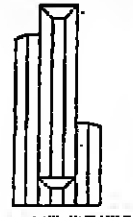
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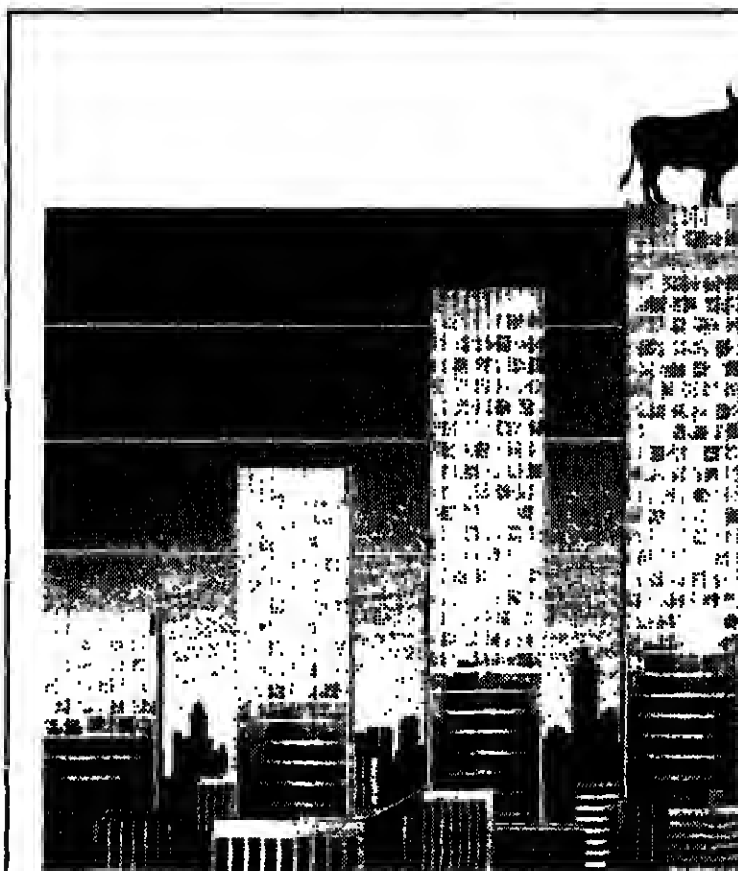
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A SPECIAL REPORT ON REAL ESTATE

Boom in Denver Leaves Excess Office Space

DENVER — In less than a decade, the Denver metropolitan area has trebled the amount of office space to almost 20 million square feet in the central district and 33 million square feet in the suburbs. Despite a decline in the energy corridor's vital business signs, Denver planners forecast that by the end of the decade, employment will increase about 25 percent from last year, when the work force was about 940,000 workers, and 20 percent beyond that to about 1.5 million workers by 2000.

In the last year or so, three 50-story-plus skyscrapers have been completed: Gerald D. Hines Interests' United Bank Plaza, Oxford Development's Republic Plaza and City Center IV, developed by Miller Davis Klutznick & Gray and recently sold to Prudential along with three smaller, adjacent buildings for about \$600 million.

With a vacancy rate of more than 28 percent in central Denver, according to the real estate firm Hammer, Siler, George Associates, and 23 percent for the entire metropolitan area, excitement over the new buildings is not intense. Perhaps more important is the development of some nighttime activity in the central business district, clustered about the 16th Street pedestrian mall and highlighted by Marlowe's, a large restaurant. There are also the shops at Tabor Center, a mixed-use project nearing completion by Williams Co. of Tulsa.

William A. Conway 3d, vice president of another real estate company, Cushman & Wakefield of Colorado, noted that Denver's unemployment rate at the height of the recent recession "just touched 7 percent and is now

back to 4 percent, and its job growth anticipated is between 35,000 and 45,000 annually in a diversified economy."

"The town is much healthier than people give credit" for, he said. "It is not demand that is dying but overaggressive development." Mr. Conway said such development was spurred in part by the many energy companies that wanted to expand rapidly and were willing to pay developers a premium in deliver space early. This phenomenon, he said, partly explains the rapid rise of the Denver Tech Center, "a major suburban development that has arisen where there were cow pastures only 10 years or so ago."

While Denver's new crop of office towers suffers in architectural comparison with Houston's, it is improving. United Bank Plaza adds a bouncy double arc in the skyline that picks up the soft curves of the landmark Brown Palace Hotel, across from the stunning new Museum of Western Art, as well as the silver shaft of the Amoco Building nearby. A building at 1999 Broadway, nearing completion a few blocks away, is an exceedingly striking and elegant design.

Mr. Conway said several major assemblages of land parcels are in place for the next round of building. Mr. Hines, a Houston developer, has the block across from 1999 Broadway between 20th and 19th Streets, which can support about two million square feet. Bramalea and Cadillac Fairview have the next two blocks surrounding Trinity Church, Bramalea with a potential of about 1.8 million square feet and Cadillac-Fairview about 1 million. Oxford Development Corp.,

which recently completed the huge Republic Plaza project with a large retail component on the 16th Street Mall, has about half a block just south of 1999 Broadway.

A decision is due by the end of year on the location for a new convention center. One proposed site is Union Station at the opposite end of 17th Street from the Amoco building. Others include the Auraria campus across the river, an expansion of the Curragh Hall, and a site near the Capitol mall complex behind the city art museum. Some local analysts believe the choice has been narrowed to the train station, or at least its site.

An enormous development has been proposed by Mickey Miller, Marvin Davis, Thomas Klutznick and others for 500 acres behind Union Station. Mr. Conway said the proposal called for about 1,000 units of housing and more than 11 million square feet of office space. And recently a subsidiary of Public Service Co. of Colorado acquired eight blocks southeast of the business district where it hopes to develop about three million square feet of office space, a hotel, some stores and about 1,000 housing units.

What is clearly needed, in addition to an expansion of the airport and a cleanup of the Rocky Mountain Arsenal's toxic wastes, is a Major League baseball team and a high-end retail mall. Several real estate experts, however, say new housing in central Denver is significantly more important if the city is to become more cosmopolitan. Just about all the nightlife in the metropolitan area focuses around a discotheque in Glendale, about seven miles outside central Denver.

Foreign Investors Like U.S. Hotel Scene

BOSTON — The hotel industry is continuing to undergo a variety of changes and intense competition.

Stephen H. Brener, a leading consultant and expert based in New York, said there appeared to be "an absolutely insatiable demand for various offshore entities to get involved in the U.S. hotel operations, with New York the No. 1 location."

Followed by Los Angeles and Orange County, California, Central Europeans and the Swiss like Chicago, he said, and there is some European interest in Washington and Boston. He called New Orleans, Chicago and Los Angeles "terribly overbuilt" but said New York needs hotels, with some talk of all-suite hotels being introduced.

There is a lot of convention business, he said, but he added: "We have now learned the lesson that hotel occupancy falls off whenever major events like Olympics or major international expositions arrive."

One trend, Mr. Brener said, is the introduction of condominium/hotel properties. The newest of these is nearing completion in Boston by the Toronto-based Four Seasons chain, widely regarded in the industry as the finest luxury chain in North America. Its properties include the Ritz-Carlton at Water Tower Place in Chicago, the Pierre in New York, the Clift in San Francisco, the Olympic in Seattle and the Inn on the Park in London.

The Boston project is a 290-room hotel and a 100-unit luxury condominium project on Boylston Street across from the Public Gardens. It is being developed by Four Seasons Hotels Ltd., Kacomber Development Associates and Galbreath-Ruffin Corp. in a joint venture with

Equitable Life Assurance Society of the United States. With the new Westin and Marriott hotels at the Copley Place complex and the Copley Plaza Hotel, it will give the Back Bay area a tremendous enclave of luxury accommodations.

Seamus McManus, general manager of the Four Seasons project, said the decor of about a third of the hotel's rooms will be based on Baroque Hall houses of about 1800, furnished with specially commissioned reproductions. The hotel will also have a display of miniature period furniture from the antiques dealer Israel Sack, Mr. McManus said.

The Four Seasons chain agreed recently to operate a hotel for which ground was broken in Newport Beach, California, by Irvine Co. in June; it is scheduled to open in the summer of 1986. About a year ago the company opened a major new hotel on Logan Square in Philadelphia. It has formed a joint venture with Kuo Investments Ltd. to develop properties in Singapore, Hong Kong, Tokyo, Paris, Frankfurt and Zurich. And it recently agreed to operate a major health club at Las Colinas, a sprawling mixed-use development in suburban Dallas, where it had already provided a major anchor with its Mandalay Hotel.

Last month, the chain introduced an alternate menu at all its operations, with low-calorie, low-salt, low-cholesterol meals. Isadore Sharp, the chairman of the chain, said recently that all its chefs studied for several weeks how to prepare and present the new meals. He also said the chain was installing telephones with separate lines to meet guests' business needs.

The Hilton chain, meanwhile, is



The new Buena Vista Palace Hotel in Orlando, Florida, designed by Welton Becket.

beginning to stir again. It is redoing its New York Hilton and planning to venture overseas with a group of Conrad Hotels, Mr. Brener said.

The small and mid-size luxury hotel of the type perfected by the Four Seasons chain (another example is the Park Hyatt at Water Tower Place in Chicago) is becoming increasingly popular. Near Georgetown in Washington, for example, Hyatt is building its second Park Hyatt; half the units will be suites. Nearby, a 400-room Westin is scheduled to open next fall. Rosewood Hotels of Dallas plans to start construction of a 91-room luxury hotel near Georgetown in the spring.

Hyatt continues to be a leader in spectacular properties. Last February it opened the 750-room, 730-acre Hyatt Regency Grand Cypress in Orlando, and last month it introduced an experimental Hyatt Business Center at the Hyatt Regency in Chicago — two floors with equipment such as personal computers, word processors and typewriters, as well as secretarial services, rented by the hour.

Marriott is nearing completion of its major convention hotels at Times Square in Manhattan and in central Atlanta, both designed by

John Portman. It and chains such as Holiday Inn and Ramada Inn have begun to diversify, or "segment," into hotels of different price categories. Amfac, meanwhile, has just established itself as a top-of-the-line operator with its elegant new triangular tower in downtown Minneapolis at the City Center Complex.

According to Laventhol & Horwath's analysis of hotel development in the Urban Land Institute's "Development Review and Outlook: 1984-1985," the lodging industry in 1983 was "transitional," with the average room rate rising 3.7 percent in 1983 to \$51.90 for a single room. The report noted that the number of business travelers and tourists dropped last year from 1982 while the number of conference participants rose.

At a recent hotel-industry conference, Mr. Brener noted that some experts believe that by the mid-1990s the emphasis may shift from the business-related traveler to the discretionary traveler. By then, he said, with two-income households it is "quite possible that the one long annual vacation will give way to two short vacations, plus an increase in the number of three- and four-day weekends."

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COMMERCIAL & INDUSTRIAL REAL ESTATE

A SPECIAL REPORT ON REAL ESTATE

The Mood in St. Louis Is Electronic and Upbeat

ST. LOUIS — At LaCade's Landing, a nine-block area of converted warehouses and cobbled streets near the Gateway Arch, local groups such as Cagney and Street Song Symphony are definitely out playing the blues at Bogart's and other hot night spots.

LaCade's Landing is one of the newest, nicest rehabilitation districts in the United States. The mood there, and in the rest of St. Louis, is electronic and upbeat.

St. Louis is a dramatic turnaround story, especially considering that its population fell from 622,000 in 1970 to about 418,000 as of last January. The evidence of change is substantial. But, apart from a 44-story skyscraper for Southwestern Bell, much of the change involves not so much new work as extensive rehabilitation.

The most important project, one that is likely to be widely visited, is the recycling of the 700-foot-long Union Station into a luxury hotel and retail center by Omni Hotels, Rouse Co. and Oppenheimer Inc. of New York. The station, with its 250-foot-high clocktower, was de-

signed by Theodore C. Link in a flamboyant Romanesque Revival style with lavish Art Nouveau detailing, including a spectacular grand hall and an 11.5-acre roof on the train shed.

The project, St. Louis Station, will retain the roof's structure but make it virtually transparent. Underneath will be an artificial lake and two six-story buildings with hotel space and shops, somewhat interwoven. Only a fraction of the 1894 station's 60 acres will be used in the \$135-million first phase, which includes the 150,000-square-foot retail section and a 550-room luxury hotel.

The station is by no means the only game in town. Melvin Simon, a major shopping-center developer from Indianapolis, and a subsidiary of May Department Stores are building the \$150-million St. Louis Centre, a four-level mall spanning two blocks.

The project also involves a new 21-story building of 385,000 square feet of office space being developed by Cabot, Cabot & Forbes of Boston, which has been quite

active recently in the St. Louis market. Both retail projects are scheduled to open next year.

The preservation movement led by Leon Strauss of Pantheon Realty is probably the strongest in the nation. St. Louis has won about \$325 million, or 10 percent, of the tax incentive projects approved by the federal government for commercial rehabilitation; St. Louis Station is the largest project ever to qualify.

Also important has been a state law encouraging rehabilitation by freezing property taxes for 10 years and then raising them only 50 percent for the next 15 years.

Vacancies in the second quarter were reported by the property brokerage Coldwell Banker to have declined in central St. Louis to about 9.3 percent, from 10.5 percent in the first quarter. Class A office rents range from about \$14.60 to \$19.60. The real estate company Turley Martin Co. estimated office inventory in the business district at 9.16 million square feet, compared to about 15.58 million square feet in the suburbs.

New York's Resurgence in Finance and Investment

NEW YORK — With the city's approval this month of the Times Square Redevelopment project — and the nearing of completion of the New York Marriott Marquis Hotel on Times Square, designed by John Portman, and the first phase of Olympia & York's World Financial Center, designed by Cesar Pelli, at Battery Park City — New York's recent vibrant resurgence of financial and investment strength is becoming more tangible and visible.

There has also been a recent increase in waterfront development interest on the New Jersey side of the Hudson River. Hence the most critical development issues facing New York are the long-stalled Westway project and the Lincoln West development. The former would create substantial new parklands and landfill, with much of its highway tunneled to provide easy access to the waterfront. Francisco Macri of Argentina, developer of the latter project, has recently encountered financial difficulties and the plan's fate is uncertain. It would create substantial new housing and office space over railroad yards south of 72d Street facing the river.

Edward S. Gordon Co., one of the city's leading real estate management and brokerage companies, reported that vacancies in midtown offices fell slightly in the third quarter to 5.54 percent, with average rent rising to \$40.61 a square foot from \$39.26 a year earlier, almost \$40 in December 1981 and about \$16 in December 1978.

The midtown market, Mr. Gordon said, "continues to be very active, with large space users examining existing and future availability to consolidate their operations and/or locate expansion space."

"In addition, smaller space users continue to be active," he said, "causing the supply of space under 5,000 square feet to contract by 5 percent during the third quarter. Even though an estimated 4 million square feet of newly constructed office space will become available this year and next, the typical two-year absorption rate of 6 million to 8 million square feet could mean a sharp contraction in supply and a rise in prices."

Downtown vacancies declined from 8.7 percent in the second quarter to 5.8 percent in the third quarter, Mr. Gordon reported, but current statistics "do not reflect the future uncertainty of the office market, and supply and demand might not be in equilibrium over the coming years because of the large amount of new construction." Rents declined modestly from the second quarter, to \$31.91 per square foot in the third quarter. A year ago, the figure was \$28.13.

Simon Milde of the New York office of Jones Lang Wootton said the recent economic boom had been more in manufacturing than in the financial sector. He said leasing was slow downtown, with rising vacancies created in older buildings. He predicted that there would be little if any rental growth in midtown and said that the substantial escalation in values had nothing to do with rental rates. The high quality of much recent construction in many areas of the city is almost making the corporate glamour of earlier developments on Park Avenue fade, he said.

The West Side of midtown is witnessing substantial improvements, anchored by Harry Macklowe's striking mixed-used tower being built on 57th Street near Carnegie Hall and the new headquarters of Equitable and Life Assurance Society of the United States on Seventh Avenue at 54th Street near a handsome new residential tower designed by Rafael Viñoly east of the Sheraton Center on Seventh Avenue.

On the east side, Kohn Pedersen Fox has designed a handsome new tower with a concave corner at 57th Street and Lexington Avenue for Gladstone Associates, and a spec-



From left, artist's rendering of south side of 42d Street with two of the new office towers that were designed by John Burgee with Philip Johnson, the existing Chandler Building, and the new Trade Mart designed by Kohn Pedersen Fox.



Architect's version of the Times Square redevelopment project in New York.

scular 74-story tower for First Boston Corp. on the block bounded by Madison and Vanderbilt Avenues between 47th and 48th Streets.

The areas south of 23d Street around Fifth Avenue and on Duane Street around West Broadway have suddenly become incredibly chic, with many of the most attractive restaurants and boutiques in the city.

Brewster Ives of Douglas Elliman-Holaday & Ives, a residential sales and management company, said the luxury apartment market was "still booming." He cited "lots of new construction, mostly condominiums with prices about \$250 to \$300 a square foot." He reported that the average equity selling price of luxury Manhattan cooperative apartments handled by his company in August was \$658,700.86, for the previous year the average was \$561,588.42 and a year earlier it was \$493,644.75.

Mr. Ives said the average equity selling price per room in August 1984 was \$122,844.53, the average for the previous year was \$101,894.85 and a year ago the figure was \$88,933.93. The average annual maintenance per room was \$2,629.32 in August, against \$2,482.99 the previous year and \$2,493.80 a year before. In August, only 17 percent of the apartments were financed; the average for the previous year was 23.8 percent and a year earlier it was 29.1 percent. The average percentage of the selling price financed in August was 44.3 percent, the same as the average for the previous year, in August

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Canada's Mandate to Reverse Slump

(Continued From Page 7)

stable investment climate, with vacancies declining over the next couple of years and possible rent increases toward 1986.

He added that Calgary has "probably touched bottom, and, some would argue, [is] beginning to recover, with quite good long-term prospects."

Isadore Sharp, the chairman of the Toronto-based Four Seasons Hotel chain, maintained in a recent interview that, while much of Canada's future "is in the U.S. — we are another state," the recent elections were "a very positive mandate" for change.

Many leading Canadian real estate development companies, such as Trizec, Olympia & York, Cadillac-Fairview and Oxford Development, are in strong shape.

Olympia & York Development Ltd. of Toronto, which is controlled by Paul and Albert Reichmann, recently bought 19.9 percent of Cadillac-Fairview for about \$180 million. Cadillac-Fairview is controlled by members of the Bronfman family, owners of the Seagram disilluminating group.

The Reichmanns have an interest in Trizec, which is based in Calgary and is controlled by other members of the Bronfman family.

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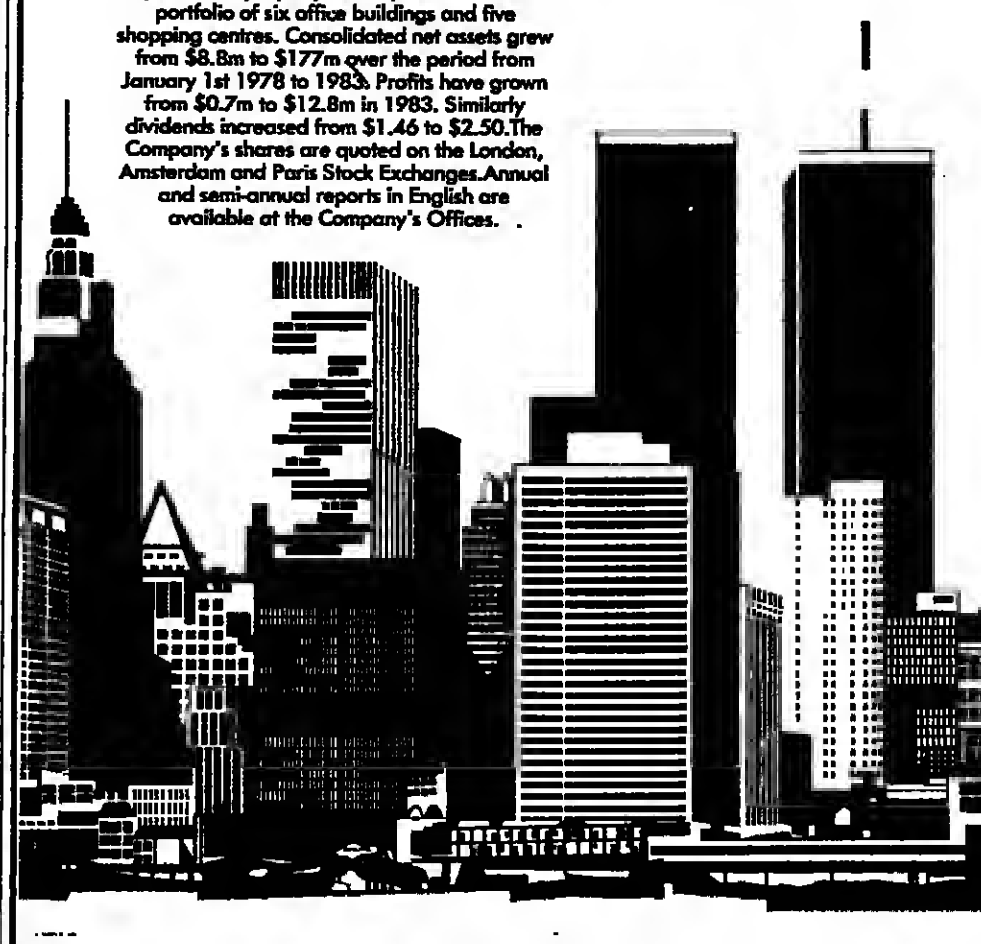
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Kansas City Now Bustling After Decade of Stagnation

William R. Ball, president of Oppenheimer, which is heavily involved with foreign investors looking for agricultural properties in the United States, declared that Kansas City was "at the most important point in its history." Farmland, he said, has declined in value about 20 percent in the last two years or so because of grain embargoes and restrictions on foreign purchases of farm land in several major agricultural states. Agricultural land appreciated at least 2 percent faster than the inflation rate after World War II and still represents a strong investment opportunity.



301 Fourth Avenue South in Minneapolis.

Minneapolis-St. Paul Planning a Quantum Leap in Skylines

or Rudy Perpich is also for a light-rail connection between the two cities. Meanwhile, Minneapolis is debating the location of a new post office into a civic center arts organizations; and the new Orway Theater, a stunning, multifaceted structure of copper, brick and glass, designed by Ben

World's Fair Improves New Orleans Despite the Big Debts

Mr. Kushner said vacancy was close to 17 percent, "representing about a two- to two-and-a-half year supply." He said top space had an effective rent of about \$17 to \$19 a square foot after concessions have been discounted.



Part of the entrance to the World's Fair in New Orleans.

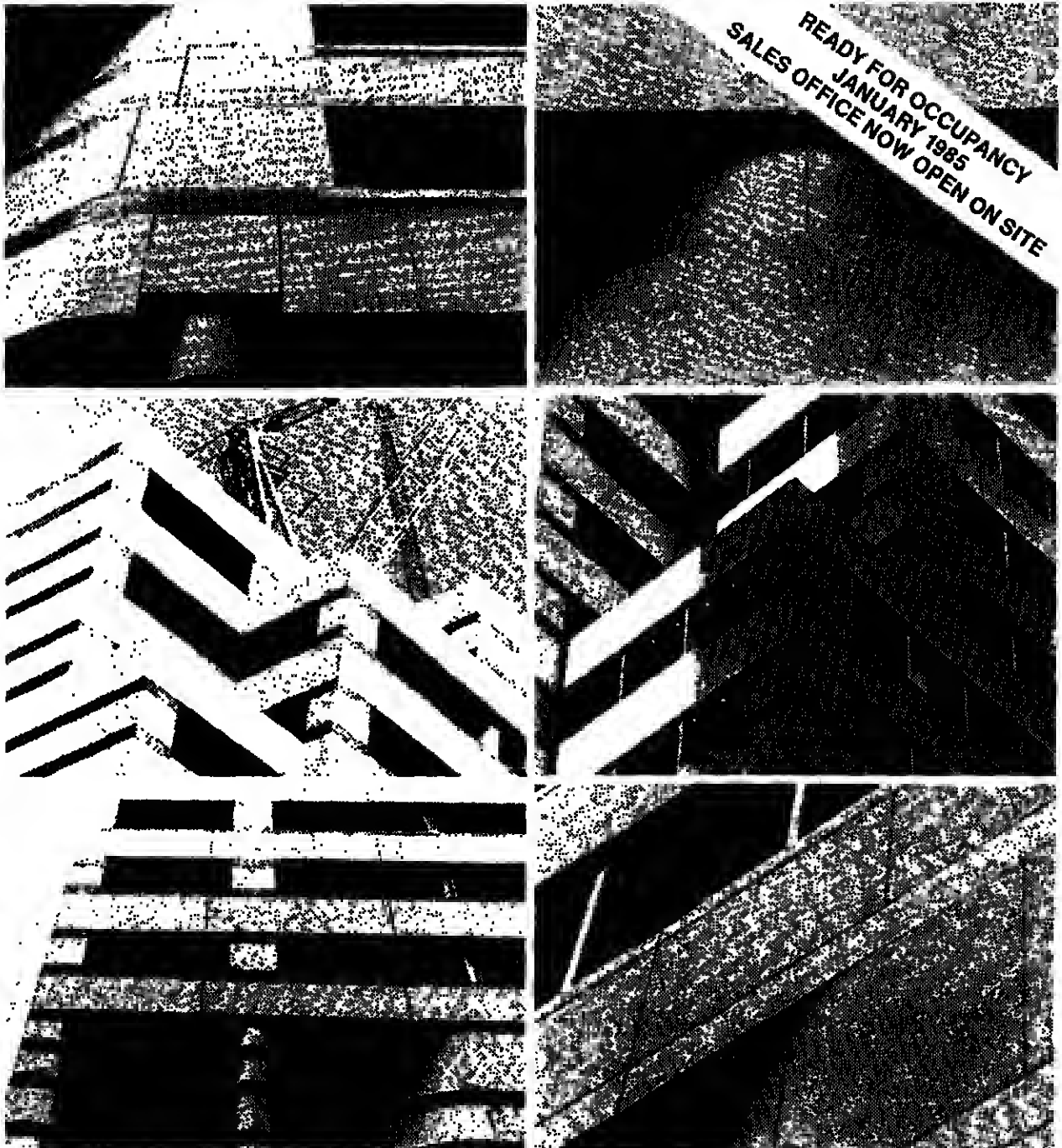


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Three New Towers Fill In Pittsburgh's Skyline

Pittsburgh's skyline has made a great leap forward in the last year or so with the completion of three major towers: the reflective glass complex designed for PPG Industries by John Burgee with Philip Johnson in English Gothic Revival style; One Oxford Center, a design of huddled silver aluminum tubes by H.O.K., developed by a local company, not Canada's Oxford Development Co.; and One Mellon

Center, developed by a subsidiary of U.S. Steel, whose great 64-story skyscraper dominates Pittsburgh.

One Mellon Center, a gray, steel-clad tower designed by Welton Beckett & Associates, is an honorable rendition of the great slender spires of the Art Deco period without any gaudy Post-Modern flourishes. Its fenestration pattern and rather pale color complement its two immediate landmark neighbors, the U.S. Steel tower and Henry Hobson Richardson's great

Dwight Moore of the Pittsburgh office of the New York-based real estate company Cushman & Wakefield Inc., said the center city's Class A office space inventory is about 9.14 million square feet, of which about 1.43 million is vacant; 7,706,551 square feet are under construction. Total office space is about 21.5 million square feet. Mr. Moore said vacancies had fallen in the last six months, but rent levels have softened somewhat.

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Construction, Rehabilitation Keep Richmond Growing

RICHMOND, Virginia — Richmond is a good example of a rather provincial, conservative, third-tier city, with a handsome housing stock, that is on the verge of significant growth.

Some medium-sized cities have witnessed a lot of recent development but had little heritage, while Richmond is of course rich in history, as well as being well-located as a gateway to the south and with good proximity to Washington.

Designed by Emery Roth & Sons, the mixed-use project will comprise many medium-sized aluminum and glass towers of similar banded design but different shapes. The first, \$50-million phase, an office tower, is scheduled to open in April. Ground was broken last summer for a 375-room hotel. The rest of the site will include four

Nevertheless, until recently, it had not seen much growth since the Federal Reserve commissioned Minoru Yamasaki, designer of the World Trade Center in New York, to do an office building in the central business district about a decade ago.

Now there is a flurry of construction and rehabilitation. The two most important projects are the renovation of the Jefferson Hotel and a four-block, \$350-million,

A spokesman for Faison, which is involved in another large project in Jacksonville, Florida, said that the first tower was about 80-percent leased, at rates of about \$22 a square foot, significantly higher than the going rate in Richmond's central business area. The site is near a charming historic section that has several attractive restaurants and boutiques.

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EUROBONDS

Decline in U.S. Retail Sales
Helps to Revive the Market

By CARL GEWIRTZ
International Herald Tribune

PARIS — Dollar interest rates failed to live up to Euro-bond market expectations and decline last week. But that did not stop the flow of new issues or a late-week revival of hopes that a drop in rates is imminent. The real blow to market confidence about the inevitability of a decline came from news that the federal budget deficit is climbing substantially over official estimates.

But by end-week the bond markets staged a minor recovery, with traders focusing on the decline in retail sales and the flat industrial production in October.

The rationale behind the advance was that the Federal Reserve would be forced to ease credit to keep the economy from falling back into recession and to reduce the deficit (by boosting the government's income from higher tax revenues generated by a business expansion).

In the Eurobond market, prices were pulled up by the trend in New York. But the increase here was largely illusory, due to dealers marking up their prices rather than as a response to demand for paper from investors.

The market for fixed-rate dollar bonds continued to be dominated by issues bearing warrants, or options, to buy other bonds of the same issuer. As in past weeks, the original — or "host" — bonds all carried the unattractive feature of being subject to prepayment at a modest 1-percent premium over par as the warrants are exercised.

This means that if interest rates do decline, making it attractive for holders to buy the warrant bonds, the price of the original issue can never rise beyond 101 as holders have no way of knowing whether their paper will be called. As a result, the host issues were difficult to place and all traded at substantial discounts.

THE latest crop of warrants was more modestly priced than those of previous weeks and attracted a wider range of speculators. Nevertheless, all of the new options traded below the offering price except for Sumitomo Trust's.

Sumitomo sold \$100 million of six-year notes at par bearing a coupon of 12 1/2 percent and six-year warrants, at \$25 each, to buy six-year notes bearing a coupon of 12 1/2 percent. The options were deemed to be good value and rose almost \$10.

The price gain may also have been influenced by the delayed payment — an additional appeal to speculators who commit now but do not need to put any money up until February. (The Australian Industry Development issue is also payable in February, but the warrant price barely held steady.)

At the other end of the spectrum was a very aggressively priced package for Procter & Gamble, a triple-A rated credit. It sold \$150 million of three-year notes which can be extended for an additional seven years at terms to be set in 1987. The notes were offered at par bearing a coupon of 10 1/2 percent. The companion three-year warrants, priced at \$24, can buy 11 percent notes maturing in 1989. The warrants ended the week at \$19 and the host issue was quoted at \$8 1/2.

At St. Gallen Strauss Turnbull, dealers estimate the P&G notes should carry a coupon of 11 1/2 percent (International Business Machines Corp.'s three-year notes, trading at a modest premium, carry that coupon) and therefore calculate that if interest rates drop by 1 percentage point in six months, the P&G warrants should be worth \$7.

Assuming the same decline in rates, SGST dealers estimate the Australian Industry Development warrants should be valued at \$24, the Motorola warrants (offered at \$40 and trading at \$37) should be valued at \$55 and the Ford warrants (offered at \$32 and trading at \$29) \$37 1/2.

There were no "plain vanilla" classic straight dollar bonds launched last week, but Electricite de France is expected to offer \$100 million of medium-term paper this week in a swap-driven transaction.

Floating-rate paper continued to attract support last week and appeared to be moving to a new direction with Lloyds Bank International's offer of \$200 million of three-year, floating-rate certificates of deposit — the largest FRCD yet to hit the market.

The aim of the operation is to tap the short end of the floating-rate market without incurring the legal, documentation and listing fees which make issuing short-dated FRNs too expensive an exercise.

Bankers believe this has created a gap in the market for short-

Last Week's Markets
All figures are as of close of trading for the week.

Stock Indexes

United States

	Last Wk.	Prev. Wk.	% Chg.
DJ Index	1,187.94	1,215.97	-2.30
DJ 30	1,187.94	1,215.97	-2.30
DJ 100	1,187.94	1,215.97	-2.30
DJ 200	1,187.94	1,215.97	-2.30
DJ 300	1,187.94	1,215.97	-2.30
DJ 400	1,187.94	1,215.97	-2.30
DJ 500	1,187.94	1,215.97	-2.30
DJ 600	1,187.94	1,215.97	-2.30
DJ 700	1,187.94	1,215.97	-2.30
DJ 800	1,187.94	1,215.97	-2.30
DJ 900	1,187.94	1,215.97	-2.30
DJ 1000	1,187.94	1,215.97	-2.30

Europe

	Last Wk.	Prev. Wk.	% Chg.
FTSE 100	1,175.50	1,164.20	+0.90
FTSE 250	920.40	900.10	+2.20

Hong Kong

	Last Wk.	Prev. Wk.	% Chg.
Hong Kong	1,071.79	1,047.32	+2.34

Japan

	Last Wk.	Prev. Wk.	% Chg.
Nikkei 225	11,271.45	11,239.28	+0.29

West Germany

	Last Wk.	Prev. Wk.	% Chg.
DAX	1,078.20	1,064.30	+0.75

Canada

	Last Wk.	Prev. Wk.	% Chg.
S&P 500	1,187.94	1,215.97	-2.30

Money Rates

United States

	Last Wk.	Prev. Wk.	% Chg.
Discount rate	9.00	9.00	0.00
Federal funds rate	9.00	9.00	0.00
Prime rate	11.75	11.75	0.00

Japan

	Last Wk.	Prev. Wk.	% Chg.
Discount	5.00	5.00	0.00
Call money	6.00	6.00	0.00
3-month interbank	6.00	6.00	0.00
6-month interbank	6.00	6.00	0.00
9-month interbank	6.00	6.00	0.00
12-month interbank	6.00	6.00	0.00

West Germany

	Last Wk.	Prev. Wk.	% Chg.
Overnight	5.50	5.50	0.00
1-month interbank	5.50	5.50	0.00

France

	Last Wk.	Prev. Wk.	% Chg.
Bank base rate	10.00	10.00	0.00
Call money	10.00	10.00	0.00
3-month interbank	9.00	9.00	0.00
6-month interbank	9.00	9.00	0.00
9-month interbank	9.00	9.00	0.00
12-month interbank	9.00	9.00	0.00

Italy

	Last Wk.	Prev. Wk.	% Chg.
Bank base rate	12.00	12.00	0.00
Call money	12.00	12.00	0.00
3-month interbank	11.00	11.00	0.00
6-month interbank	11.00	11.00	0.00
9-month interbank	11.00	11.00	0.00
12-month interbank	11.00	11.00	0.00

Spain

	Last Wk.	Prev. Wk.	% Chg.
Bank base rate	10.00	10.00	0.00
Call money	10.00	10.00	0.00
3-month interbank	9.00	9.00	0.00
6-month interbank	9.00	9.00	0.00
9-month interbank	9.00	9.00	0.00
12-month interbank	9.00	9.00	0.00

Switzerland

	Last Wk.	Prev. Wk.	% Chg.
Bank base rate	8.00	8.00	0.00
Call money	8.00	8.00	0.00
3-month interbank	7.00	7.00	0.00
6-month interbank	7.00	7.00	0.00
9-month interbank	7.00	7.00	0.00
12-month interbank	7.00	7.00	0.00

Netherlands

	Last Wk.	Prev. Wk.	% Chg.
Bank base rate	6.00	6.00	0.00
Call money	6.00	6.00	0.00
3-month interbank	5.00	5.00	0.00
6-month interbank	5.00	5.00	0.00
9-month interbank	5.00	5.00	0.00
12-month interbank	5.00	5.00	0.00

Belgium

	Last Wk.	Prev. Wk.	% Chg.
Bank base rate	6.00	6.00	0.00
Call money	6.00	6.00	0.00
3-month interbank	5.00	5.00	0.00
6-month interbank	5.00	5.00	0.00
9-month interbank	5.00	5.00	0.00
12-month interbank	5.00	5.00	0.00

Sweden

	Last Wk.	Prev. Wk.	% Chg.
Bank base rate	8.00	8.00	0.00
Call money	8.00	8.00	0.00
3-month interbank	7.00	7.00	0.00
6-month interbank	7.00	7.00	0.00
9-month interbank	7.00	7.00	0.00
12-month interbank	7.00	7.00	0.00

SEC Vote
Doubles
OTC Unit

Ruling Is Blow
To Exchanges

By Vartan G. Vartan
New York Times Service

NEW YORK — The Securities and Exchange Commission has struck a blow to listed stock exchanges by approving a plan by the National Association of Securities Dealers to more than double the size of its National Market System. By a 3-to-2 vote, the commission Friday approved a request from the dealers' association to liberalize standards for determining which securities qualify for the more extensive information provided by its National Market System.

The change is expected to more than double the number of companies to 2,268 from 1,104. Under the NASDAQ system, which provides over-the-counter quotations, there are three categories. Stocks are carried in descending order depending on size and trading volume, in the National Market System, the National System and a supplemental category.

For a stock on the National Market System, brokers are required to report to the association's automated quotation system — NASDAQ — every sale within 90 seconds. For stocks not on the top list, brokers need only report closing bid and asked prices and daily volume.

The SEC decision was generally interpreted as a coup for the over-the-counter market, although officials at the exchanges declined to comment on it Friday.

One general objection of the exchanges has been that the designation National Market System has exceeded the intent of Congress, which in 1975 passed a statute to the effect that the SEC should facilitate a nationwide electronic system for trading stocks.

Richard O. Scribner, the American Stock Exchange executive vice president for legal and regulatory affairs, said Friday that the commission's designation process created a misconception that these issues were "announced by the SEC."

This designation, one official said, could make it more difficult for the exchanges to attract listings from the over-the-counter market.

But the commission's decision was also seen as a blow to the exchanges' efforts to attract listings from the over-the-counter market.

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U.S. Investors 'Go West' in France

Brittany Area Becomes
International Favorite

By Axel Krause
International Herald Tribune

QUIMPER, France — Taking advantage of the strong dollar, a new wave of U.S. investors is moving into western France, and Japanese companies are beginning to follow suit.

"Right now, the west is the favorite spot for many U.S. companies and some Japanese," said an official of the French government's regional development agency, the Délégation à l'Aménagement du territoire et à l'Action régionale, or DATAR. Foreign investments in the west — primarily Brittany and the area extending south to the Loire Valley — are growing three times faster than in the rest of the country.

Last week, inside a 17th-century factory in this town in Brittany, a dozen workers at Faïenceries de Quimper were putting finishing touches on hand-painted dishes destined for the United States.

"Sales, particularly in the U.S., are going great guns," said Paul B. Janssens of Stonington, Connecticut, who acquired the ailing plant for \$1 million last year. He started production in March.

Mr. Janssens is one of several U.S. investors who have acquired or are acquiring failing or bankrupt companies. Others have started plants from scratch in such fields as electronics, chemicals and food processing, helping to keep the United States in first place among foreign investors in France. Last year, U.S. investments totaling \$550 million accounted for about 25 percent of all foreign investments.

But the strong dollar is only one reason. Executives and officials interviewed recently said that young and cheap labor is widely available and that the area, which is predominantly rural, has few labor conflicts, in contrast to France's highly industrialized regions. There is also easy access to research centers, which have sprung up in the area during the past decade, particularly in the electronics sector. And the government, mainly through DATAR, provides attractive incentives, such as generous tax breaks and subsidies.

About a dozen U.S. companies already in the area — including Cummins Engine Co., Quaker Oats Co., H.J. Heinz Co. and Motor-Harris Semi-conductors, a joint venture — are increasing investment in plant and equipment.

Others, including General Foods Corp., Monsanto Co., Vishay Intertechnology Inc., all of the United States, and Canon Inc. of Japan, have announced plans for or have started to build plants this year. Five more U.S., two British, two West German and one Japanese company are negotiating industrial investments in the area, according to Jacques Voissard, commissioner of Quimper-France, a regional agency linked to DATAR. Mr. Voissard called those prospects "very solid," and said Quimper-France was talking to many other companies.

Quimper-France groups 500 business managers, 26 chambers of commerce and 30 financial establishments in the region. The agency has a full-time staff of 40 professionals who compete intently for new investments against counterpart organizations in Ireland, Scotland and Bavaria, West Germany.

But, economic factors tell only part of the story. "We have been able to create a 'club' atmosphere in our plant, very similar to what we have back home, which was a key reason for coming here," said Yves Petitjean, a Frenchman, who heads the European operation of Fleetguard, a subsidiary of Cummins. "Back home" is Cookeville, Tennessee, a medium-size community in a rural area.

The company built its plant, which produces (Continued on Page 17, Col. 1)



Yves Petitjean, general manager, left, Derek Nutt, plant manager, and Del Heffelfinger, a visiting senior engineer, inspect an assembly line at Fleetguard.



A worker at the U.S.-owned Faïenceries de Quimper paints a pitcher.

new investments against counterpart organizations in Ireland, Scotland and Bavaria, West Germany. But, economic factors tell only part of the story. "We have been able to create a 'club' atmosphere in our plant, very similar to what we have back home, which was a key reason for coming here," said Yves Petitjean, a Frenchman, who heads the European operation of Fleetguard, a subsidiary of Cummins. "Back home" is Cookeville, Tennessee, a medium-size community in a rural area. The company built its plant, which produces (Continued on Page 17, Col. 1)

Storage Tech
Won't Get Loan
From Chemical

By Eric N. Berg
New York Times Service

NEW YORK — Storage Technology Corp., which filed for protection from its creditors under the Federal Bankruptcy Code on Oct. 31, said it has lost a commitment for a \$150-million loan from Chemical Bank.

Analysts said the loss of the commitment immediately reduced the company's chances of emerging from bankruptcy as a viable business.

Their first question, however, was whether Storage Technology, once a leading U.S. maker of data-storage devices for large computers, would have to shut down at once. The company's credit has been cut off by many suppliers, and experts expressed fear that it might not be able to meet its 14,500-employee payroll next Friday.

"This pulls the plug," Robert F. Fertig, a computer industry consultant in Greenwich, Connecticut, said Friday.

Storage Technology, however, insisted that it could hang on. A spokesman at the company's headquarters in Louisville, Colorado, said Friday that the concern was continuing to operate and would have the money to pay its staff.

He added that Jesse I. Aweida was still in charge as chairman and chief executive. Mr. Aweida's brother, Naim, resigned recently as president and chief operating officer.

In a brief statement earlier Friday, Storage Technology said it had been informed that Chemical Bank "did not intend to execute and deliver a definitive loan agreement prior to Nov. 26," a deadline set by the bank for making a loan.

The company said it was "engaged in discussions with other financial institutions to obtain the cash" it will need during reorganization.

It declined to identify those other institutions. Goldman, Sachs & Co., a Wall Street firm that has sought financing for Storage Technology in the past, also declined to comment. Storage Technology has also received loans from Citibank,

Chase Manhattan Bank and Bank of America.

Chemical Bank did not respond Friday to requests for information about Storage Technology, so it was not immediately clear why the bank terminated the loan commitment it made after Storage Technology's bankruptcy filing.

One possibility is that Chemical's lending officers overestimated the value of the company's unsecured assets that Chemical could have claimed had it made a loan. At the time of the bankruptcy filing, these assets had a book value of \$1 billion.

"There is probably some question about the value of what Storage Technology has left," said Michael J. Geran, an analyst at E.F. Hutton & Co.

Storage Technology's difficulties resulted from price cutting and innovation in memory devices by International Business Machines Corp.

Despite the company's contention that it had the cash to operate for "some time," analysts said Storage Technology needed at least \$100 million in outside cash to survive 1984, in addition to the \$61.7 million in cash on the company's balance sheet Sept. 28.

The company is expected to need hundreds of millions of dollars more to emerge from bankruptcy. This, experts say, could come from fresh bank loans or from a reduction of Storage Technology's large inventory and accounts receivable.

Because of large bank loans was willing to say Friday that it was considering extending credit to Storage Technology, and also because the company has a valuable distribution network and a huge base of disk drives and tape drives leased to customers, a growing number of experts believe the concern will be bought out.

In the three months ended Sept. 28, the company reported a loss of \$64.7 million, or \$1.87 a share, on sales of \$230 million. On the New York Stock Exchange Friday, Storage Technology closed at \$2.75 a share, down 30 cents, after more than a million shares changed hands.

Investors Reconsider
Views on Interest Rates

By James Sterngold
New York Times Service

NEW YORK — Investors have reassessed their earlier view that the Federal Reserve was about to ease its monetary grip again.

As a result, the bond market rally which got under way on Thursday abated on Friday. Bond prices did manage to post small gains, but

fell from their highs for the day as trading activity declined sharply, according to analysts.

"I think there was some disappointment Friday morning when the Federal Reserve didn't follow through" by injecting more money into the system and pushing interest rates lower, said Lucy Hunt, chief economist at Carroll, McEntee & McGinley Inc., a dealer in government bonds.

Mr. Hunt was referring to system repurchase agreements the Fed executed Thursday. These set off a sharp rally and expectations that the Fed might soon reduce its discount rate from the current level of 9 percent.

On Friday morning, the Fed also executed repurchase agreements, but they were regarded as a far less aggressive move to force interest rates lower, Mr. Hunt commented. This was reflected in the federal funds rate, the rate on reserves banks trade among each other; it hovered above 9 1/2 percent most of the session. On Thursday it had been as low as 9 1/4 percent.

The Treasury's 1 1/2 percent 30-year bond rose 11-32 point Friday to 11 1/2-32, for a yield of 11.64 percent, down from Thursday's 11.69 percent. The five-year 12 1/2 percent note was unchanged at 104-27-32, for a yield of 11.42 percent.

At the shorter end, yields were mixed. The one-year bills rose to 9.09 percent bid, and three-month bills yields dropped four-tenths of 1 percent, to 8.59 percent bid.

"A cut in the discount rate isn't a dormant issue yet, but we don't think that a rate cut is imminent," said William Sullivan, a senior vice president and money-market economist at Dean Witter Reynolds Inc. He added that, in the

Provided by White Weld Securities, London, Tel.: 623-1277; a Division of Financière Crédit Suisse-First Boston
Prices may vary according to market conditions and other factors.

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(Continued from Page 14)

For the Week Ending Nov. 16, 1984

For the Week Ending Nov. 16, 1984

Closing Prices Nov. 16, 1984

Closing Prices Nov. 16, 1984

New Eurobond Issues

Issuer	Amount (millions)	Mat.	Coup. %	Price	Yield at offer	Price end week	Terms
FLOATING RATE NOTES							
Banco di Santo Spirito	\$100	1991	1 1/4	100	—	99.17	Over 6-month Libor. Minimum coupon 5 1/2%. Call-able at par on any interest payment date after 1985. Fees 0.50%. Denominations are \$10,000.
Banque Nationale de Paris	\$400	1999	1/4	100	—	99.05	Over 6-month Libor. Minimum coupon 5 1/2%. Call-able at par on any interest payment date after 1985. Fees 1.00%. Denominations are \$10,000.
Lincoln Savings and Loan	\$100	1999	1/4	100	—	99.55	Over 6-month Libor. Minimum coupon 5 1/2%. Call-able at par on any interest payment date after 1985. Backed by U.S. Government securities. Fees 0.45%. Denominations are \$20,000.
Lloyds Bank Int'l	\$200	1987	Libor	100	—	99.80	Pegged to 6-month rate for Eurodollars. Floating rate certificates of deposit. Fees 0.25%.
RENFE	ECU46.5	1994	1/4	100	—	99.85	Over 6-month Libor. Minimum coupon 5 1/2%. Call-able at par in 1989. Redeemable at par in 1991. Fees 0.75%. Denominations are 10,000 esc.
FIXED-COUPON							
AIDC	\$100	1989	11 1/2	100	11 1/2	98.50	Callable at par or warrants are exercised at 101 until 1988, and at par in the last year.
AIDC	0.10	1989	—	22 1/2	—	22 1/2	Exerciseable at par into company's noncallable 11 1/2% of 1989.
Ford Motor Credit	0.10	1989	—	32	—	32	Exerciseable at par into company's noncallable 12 1/2% of 1989.
Motorola	\$75	1994	12 1/4	99 1/4	12 1/4	97.75	Callable at par or warrants are exercised at 101 until 1991.
Motorola	0.075	1991	—	40	—	38	Exerciseable at par into company's noncallable 12 1/2% bonds of 1994.
Procter and Gamble	\$150	1994	10 1/2	100	10 1/2	98.32	Callable at par or warrants are exercised at 101. Callable and redeemable at par in 1987 when new coupon may be set.
Procter and Gamble	0.15	1987	—	24	—	19	Exerciseable at par into company's noncallable 11 1/2% bonds of 1989.
Sumitomo Trust	\$100	1991	12 1/2	100	12 1/2	98.25	Callable at par or warrants are exercised at 101 until 1989.
Sumitomo Trust	0.10	1991	—	25	—	35	Exerciseable at par into company's noncallable 12 1/2% of 1991.
BAT Int'l	£100	1991	10 1/2	99 1/4	10 1/2	—	First callable at 100 1/4 after 1990.
Grand Metropolitan	£50	1990	10 1/2	100	10 1/2	98.50	Noncallable.
City of Trondheim	DM17	1992	7 1/2	100	7 1/2	—	First callable at 101 1/2 in 1989.
Council of Europe	DM200	1994	7 1/2	100 1/4	7 1/2	99.00	First callable at 101 in 1992. Purchase fund to start in 1991 to produce an 8.5-year average life.
Sweden	DM200	1991	7 1/4	99 1/4	7 1/4	99.25	First callable at 101 1/2 in 1989.
World Bank	DM200	1991	7 1/4	100	7 1/4	98.87	Noncallable.
African Development Bank	ECU40	1989	10 1/2	100	10 1/2	—	Noncallable.
African Development Bank	ECU35	1991	10 1/2	100	10 1/2	—	Noncallable.
European Community	ECU50	1990	10 1/2	100	10 1/2	99.50	Sinking fund to start in 1988 to produce a 5-year average life.
Sparekassen	ECU42	1991	10 1/2	100 1/4	10 1/2	100.75	First callable at 101 in 1989.
American Express Overseas Credit	CS50	1991	12 1/4	100 1/4	12 1/4	—	First callable at 101 in 1988.
Industrial Bank of Japan	CS85	1991	12	100	12	99.87	Noncallable.
Kreditbank	CS75	1992	12	100	12	99.25	Noncallable.
Westland-Utrecht Hypotheekbank	DF50	1989	7 1/2	99 1/2	7 1/2	98.25	Noncallable.
Citicorp Australia	AS35	1987	12 1/2	99 1/4	12 1/2	100.00	Noncallable.
Norsk Data	NK200	1989	10 1/2	100 1/4	10 1/2	—	Noncallable.
EQUITY-LINKED							
Mitsubishi Metal	\$100	1989	7 1/2	100	7 1/2	—	Each \$5,000 bond with one warrant exercisable into 1,728 company's shares at 700 yen each (no premium). Exchange rate set at 241.25 yen per dollar.
Tsugumi	\$20	2000	open	100	open	—	Coupon indicated at 3 1/2%. First callable at 104 in 1987. Convertible at an anticipated 5% premium. Terms to be set Nov. 28.

Fall in U.S. Retail Sales Helps Eurobond Market

(Continued from Page 15)

term paper which has not been fulfilled by the issuance of CDs because they have traditionally been for small amounts with little secondary-market trading. Bankers hope to demonstrate with this issue that a liquid CD market can be created if paper is supplied.

On the face of it, CDs should have broader appeal than FRNs because, as the nomenclature indicates, CDs are deposits and cash ahead of debt (which virtually all FRNs are). For big depositors who usually place their funds in the interbank market, CDs should be more attractive because of the higher yield. In this case, interest on the Lloyds paper is set at the London interbank offered rate and Friday could have been bought at a discount to yield 5 basis points over Libor. Normally, interbank deposits are remunerated at the interbank bid rate (usually 1/4-point below Libor).

Whereas the interbank market moves in round numbers of \$1 million, the Lloyds CDs are denominated in units of \$10,000.

Sparekassen, the largest savings bank in Denmark, is raising \$75 million through the sale of three- or six-month certificates of deposit. The seven-year facility may be extended an additional three years. Interest will be a function of the amount issued: 15 basis points over Libor for the first third used, 25 basis points over for the second third and 40 basis points for more than that. Underwriters earn an annual fee of 10 basis points and a front-end commission of 1/4 percent. These CDs will be offered in units of \$250,000.

This week should see another new development in the floating-rate market with the expected launch of a \$75-million FRN for Korea Exchange Bank carrying a currency option allowing holders to switch into dollars anytime during the first year. The exchange rate will be fixed when final terms are set. The notes will run for 10 years but holders will be able to request redemption after 5 years. Interest will be set at 1/4-point over Libor. The operation appears to be in-

tended to demonstrate whether a note market exists for Asian borrowers. Of the billions of dollars of note issuance facilities arranged this year, instruments designed to straddle the bank credit and public capital markets, one has been for an Asian borrower.

To be sure, Asian FRNs have been sold in the past. But these were nothing more than tradable syndicated bank credits. The level at which notes would trade at is still to be seen. South Korea has lately paid a margin of 1/4-1/2 point over Libor for eight-year bank loans and the new terms are obviously designed to raise funds more cheaply.

Also expected in the sterling float market is an issue for Banque Nationale de Paris Ltd., the London-based arm of the French bank which last week sold \$400 million of 15-year subordinated FRNs at 1/4-point over Libor.

Meanwhile, with sterling apparently stabilized on the foreign-exchange market and with interest rates nearly equal to those paid on

dollar bonds, speculators expecting a decline in the value of the dollar have been attracted to high-coupon sterling bonds.

Last week, Grand Metropolitan sold \$50 million of six-year paper bearing a coupon of 10 1/2 percent and BAT International followed with \$100 million of seven-year, 10 1/2-percent notes priced at a discount to yield 10.8 percent.

Norsk Data offered 200 million kroner of five-year notes bearing a coupon of 10 1/2 percent and priced at a premium of 10 1/4 percent. The paper should have special appeal as late last week the Norwegian government announced it has stopped all purchases of domestic bonds by foreign investors.

Norway's finance ministry and central bank said in a joint statement that the capital inflow has been too strong, and that new purchases will be permitted. Until last Friday, foreign investors were allowed to purchase up to 1 million kroner of domestic issues.

Responding to bankers' fears that Mexico's cut of 100,000 barrels a day in oil production to support the price of oil would force the government to seek new loans, Mr. Gurria said that the savings result-

ing from the 2 percentage-point decline in the London interbank offered rate since mid-year far outweighed the reduced income from oil exports.

The Mexicans are scheduled to meet in New York this week to discuss the status of their request in reschedule \$48.7 billion over 14 years at an average spread of 1 1/4 points over Libor.

The Argentines also will be in New York this week, to discuss their request for a loan of \$5 billion. Bankers say the best offer they will put on the table will amount to \$3.5 billion. The remainder should be made up from a more rigorous domestic austerity program and increased official bilateral and multilateral loans.

The Argentines' hope to match the long 14-year maturity achieved by Mexico will also be dashed, bankers say, with no more than a 10-year maturity likely to be proposed for the 1982-84 debt waiting to be rescheduled.

In the Philippines, meanwhile, efforts are under way to put together a 10-year rescheduling of \$3.1 billion falling due between Oct. 17, 1983 and Dec. 31, 1985, and a new nine-year loan of \$925 million. Agreement on the package is needed before the International Monetary Fund will approve disbursement of its own credit to tide the Philippines over its debt crisis.

The sticking point for commercial lenders, aside from the deteriorating political situation, concerns the status of the nearly \$1 billion in interbank deposits frozen by the Cuiabank operation in the Philippines — specifically whether these deposits should be included in calculating the base for each bank's participation in the new money loan. About 46 percent of these frozen deposits have already been repaid and the remainder is to be paid back over four years.

The issue is whether these deposits should be included at all in calculating how much credit each bank has outstanding to the Philippines and thus how large a share it will take in the new loan, whether only the remainder of the frozen accounts should be calculated in the base percentage, or whether all of it should be counted. Citibank is said to be negotiating with each bank trying to reach a satisfactory agreement.

Interest on the rescheduled debt would be set at 1 1/4 points over Libor "or comparable U.S. pricing." On the new loan, lenders have a one-time option to elect to take 1 1/4 points over Libor or 1 1/2 points over the prime rate or the reserve-adjusted rate for certificates of deposit. The Philippines will be paying a 1/4 percent commitment fee on the loan and 1/2 percent front-end fee.

Mexico's Pay-Back Announcement Causes a Stir

By Carl Gewirtz

International Herald Tribune

PARIS — Feathers were ruffled last week when Mexico's national oil company, Pemex, announced plans to pay back \$1 billion and \$100 million (\$125 million) of bankers' acceptances, which are short-term trade credits used to finance shipments of oil.

Some banks which did not participate in the facilities, which are being reduced to \$3 billion and \$265 million, complained that the reduction in the credits outstanding to Mexico violated the underlying principle of the agreements in reschedule Mexico's public-sector debt — that no lender would be allowed to reduce the level of its exposure.

"The issue is one of equity, proper procedure and gentlemanly conduct," snapped one banker who was irate that the move had not been cleared for approval by the 13-bank steering committee that represents the about 530 banks holding Mexican loans.

We expected Pemex to reduce the "facility," the banker continued, "but we did not believe that the [lenders'] commitments would be transferred, out that they would be paid back."

But Angel Gurria, director of external debt, said in a telephone interview from Mexico City that short-term credits were never included in any of the rescheduling agreements and therefore the approval of the steering committee was not necessary and that repayment did not violate the spirit of those agreements.

In addition, he said, "It's not a question of repaying just a few banks. Some 530 banks participated in the two facilities," meaning that "almost every permanent lender to Mexico" will share in the pay down. Critics, however, contend that the 350 lenders in the two facilities include considerable overlap and that the number of institutions amounts to about 260.

Mr. Gurria said that the government had studied the possibility of converting the commitments to be repaid to other types of loans. But he said Mexico currently has "an abundance of trade lines, so keeping the commitments would not do anything for us."

He also said the government explored and rejected the possibility of trying to switch the trade commitments to short- or medium-term loans because such an increase would push some banks over their legal lending limits. (Acceptances, because they are eligible for discount at the central bank are not included in lending ceilings.)

The facilities are being reduced because Mexico is not currently shipping enough oil to justify the size.

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Interest on the rescheduled debt would be set at 1 1/4 points over Libor "or comparable U.S. pricing." On the new loan, lenders have a one-time option to elect to take 1 1/4 points over Libor or 1 1/2 points over the prime rate or the reserve-adjusted rate for certificates of deposit. The Philippines will be paying a 1/4 percent commitment fee on the loan and 1/2 percent front-end fee.

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Nigeria Is Said To Be Hoping to Raise Oil Price

The Associated Press

RIYADH — Nigeria's leader, Major General Mohammed Buhari, was quoted Sunday in Saudi Arabia as saying his government may increase its oil price by the end of this year.

"We are watching the oil markets closely and hope to be able to raise our price by the end of this year," General Buhari told the newspaper Al-Sharq Al-Awsat, without elaborating.

General Buhari flew home Saturday after a two-day visit in Riyadh during which he held talks with King Fahd and the Saudi oil minister, Sheikh Ahmed Zaki Yamani.

Industry sources said the Saudis have been trying to talk Nigeria into abiding by the oil prices determined by the Organization of Petroleum Exporting Countries and go back on his decision to cut his prices.

Nigeria, a member of OPEC, last month unilaterally cut its oil price to cope with similar moves by North Sea oil producers, Britain and Norway.

Growth Slows to 4.7%, South Korea Reports

United Press International

SEOUL — South Korea's economic growth slowed to an inflation-adjusted 4.7 percent in the third quarter of this year to make growth in the first nine months stand at 7.1 percent, official statistics show.

The Bank of Korea, the central bank, on Saturday announced a provisional estimate of the gross national product to the end of September, and said the manufacturing sector expanded by 11.9 percent during the July-September quarter.

Oesterreichische Kontrollbank Aktiengesellschaft

U.S. \$75,000,000 Guaranteed Floating Rate Notes 1986

Notice is hereby given pursuant to the Terms and Conditions of the Notes that for the six months from 19th November, 1984 to 20th May, 1985 the Notes will carry an interest rate of 10 1/2% per annum. On 20th May, 1985 interest of U.S. \$262.26 will be due per U.S. \$5,000 Note for Coupon no. 8.

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SPORTS

Nebraska, South Carolina Are Topped Amid Rash of Upsets



UCLA's John Lee, kicking his NCAA record-setting 29th field goal of the year Saturday against Southern California.

Compiled by Our Staff From Dispatches
NEW YORK — A second consecutive Saturday of upsets further scrambled college football's bowl game and top-20 alignments, with the country's top two teams heading to a number of rated squads that were knocked off.

Top-ranked Nebraska and No. 2 South Carolina, seemingly headed for an Orange Bowl showdown for the national championship, may not be going to Miami after all. No. 6 Oklahoma's victory over Nebraska produced a three-way tie for the Big Eight lead between the Sooners, Cornhuskers and fourth-ranked Oklahoma State. Navy stunned South Carolina, leaving No. 3 Brigham Young as Holiday Bowl-bound Utah's opponent. Utah improved to 11-0, meaning the national championship could be decided in San Diego Dec. 21.

With bowl bids going out next Saturday, the Rose Bowl is the only major game to be settled. That matchup was sealed Saturday as No. 10 Ohio State held off Michigan to clinch the Big Ten crown. The Buckeyes will meet seventh-ranked Southern Cal. in a wrap-up game of the Pac-10 title last week. But some of the luster was taken from that game when USC was upset by cross-town rival UCLA Saturday.

The Cotton Bowl is close to being settled, as Texas (ranked ninth and 10th, respectively, by United Press International and The Asso-

ciated Press) moved to the top of the Southwest Conference by shell Texas Christian. If the Longhorns get by Baylor and Texas A&M in their final two games, they'll go to the Cotton Bowl — probably against 13th-rated Boston College, which downed Syracuse Saturday. But should Texas falter, TCU, Southern Methodist, Arkansas and Houston all have a shot at the SWC crown.

A bowl spot that should have

COLLEGE FOOTBALL

been sealed is still up in the air because of a possible NCAA on-conference probation against Florida, ranked fifth by AP and eighth by UPI. The Gators wrapped up their first Southeastern Conference title with a victory over Kentucky. A decision is due Tuesday on Florida's post-season status.

The winner of next week's Oklahoma-Oklahoma State game will probably be the Big Eight representative in the Orange Bowl, since the victor will be higher ranked than Nebraska. The at-large teams for the Orange and Sugar Bowls (and the two Fiesta Bowl teams) remain unsettled. Washington, Nebraska, Texas Christian, Miami and the Oklahoma-Oklahoma State loser are in contention.

Oklahoma 17, Nebraska 7
In Lincoln, Nebraska, Tim Lashar kicked a 32-yard field goal in the opening minute of the fourth quarter, in which Oklahoma scored 10 points and staged a brilliant goal-line stand to hold off Nebraska, 17-7, denying the Cornhuskers their fourth consecutive outright Big Eight title.

With the score tied 7-7 late in the third quarter, Oklahoma quarterback Danny Bradbury threw a 31-yard pass to Buster Rhymes at the Nebraska 41-yard line. Two plays later, Bradbury went around right end for 26 yards to move the Sooners to the Nebraska 10, setting up Lashar's field goal 11 seconds into the fourth quarter.

Midway through the final quarter Nebraska drove 88 yards to the Oklahoma 1, but on third down linebacker Brian Bosworth stacked up fullback Scott Porter and cornerback Brian Hall then made an over-the-top tackle on Jeff Smith, turning the ball over to the Sooners with 5:38 remaining.

Smith, the nation's leading punt returner, fumbled away an Oklahoma punt at midfield with 3:43 left.

The Sooners went into their ball-control offense before Bradley's 29-yard sweep around right end added an insurance touchdown with 56 seconds to play.

Navy 38, South Carolina 15

In Annapolis, Maryland, Bob Misch passed for two touchdowns and substitute tailback Mike Smith ran for two more to key Navy's 38-15 shocker over South Carolina. The Gamecocks (9-1) are the highest ranked team the Middies have ever upset.

South Carolina committed five turnovers, three of which led directly to touchdowns, as 4-5-1 Navy took the lead just before half-time and over looked back. Navy blocked an attempted field goal, recovered a fumble and intercepted four South Carolina passes. Defensive tackle Eric Rutherford had four sacks for 29 yards in losses.

UCLA 29, Southern Cal 10

In Pasadena, California, John Lee kicked five field goals, four of them from more than 40 yards, and Dennis Price returned an interception 63 yards for a touchdown to lift UCLA to a 29-10 upset over seventh-ranked Southern Cal. Lee's performance gave him an NCAA season-record 29 field goals.

USC entered the game with the nation's seventh best defense against the rush (91.4 yards per game) and sixth best in points allowed (12), but UCLA racked up 195 rushing yards on the ground in beating USC for the third consecutive year.

Lee put the game away with 9:08 left when he kicked a 49-yarder to give the Bruins their final 29-10 lead. It was Lee's 29th field goal of the season in 33 attempts, breaking the NCAA record set by Paul Woodside of West Virginia in 1982 and equaled last year by Luis Zayas of Arizona State.

Brigham Young 24, Utah 14

In Salt Lake City, Robbie Bosco passed for 367 yards and three touchdowns to lead Brigham Young past Utah, 24-14, as the Cougars extended their national-leading winning streak to 22 games.

Florida 25, Kentucky 17

In Lexington, Kentucky, Florida gained at least a tie for its first-ever SEC championship with a 25-17 decision over Kentucky. Bobby Raymond connected on six field goals to help secure the victory for the 8-1-1 Gators, who set a school

record with their eighth straight victory.

Ohio St. 21, Michigan 6

In Columbus, Ohio, Keith Byars rushed for 92 yards and scored three touchdowns to give Ohio State a 21-6 victory over Michigan. Clutching the undisputed Big Ten championship and putting the Buckeyes in the Rose Bowl against Southern Cal.

Boston College 24, Syracuse 16

In Foxboro, Massachusetts, Troy Stradford rushed for 102 yards and a touchdown and Kelvin Martin returned a punt 78 yards for

another score to rally Boston College to a 24-16 decision over Syracuse despite a sub-par game by quarterback Doug Flutie. Trailing, 10-7, at the half, the Eagles took a 14-10 lead when Stradford, who carried 21 times, scored on a 5-yard run with 2:25 left in the third period. Quarterback Flutie, a Heisman Trophy candidate, completed only 10 of 21 passes for 136 yards, his lowest total of the season.

Washington 38, Washington St. 29

In Pullman, Washington, Jacques Robinson rushed for 160 yards and three touchdowns to pace Washington's defeat of Washington

State. Robinson scored twice in the fourth quarter after 10-1 Washington intercepted two Mark Rypien passes.

Yale 30, Harvard 27

In Cambridge, Massachusetts, tailback Ted Macauley scored on a 1-yard run with 4:56 left to rally Yale to a 30-27 victory over Harvard in the 101st meeting between the Ivy League schools. Bill Moore's third field goal of the day, a 30-yarder early in the fourth quarter, brought the Elis close before Macauley's plunge capped a 45-yard drive. (UPI, AP)

In Holiday Mood, BYU May Bowl 'Em Over

By Tony Kornheiser

Washington Post Service

WASHINGTON — Before Saturday and its rash of upsets, there were two weeks left in the college football season and there were only two unbeaten major schools — South Carolina and Brigham Young, ranked Nos. 2 and 3, respectively, behind Nebraska. South Carolina and Nebraska were among Saturday's losers.

Assuming BYU remains undefeated (it's got Utah State to go), that would probably make the Cougars No. 1. Then, to lock up the national championship, BYU would only have to win its bowl game.

Which bowl are we talking about? Rose? Sugar? Cotton? Orange? No friends, we're talking about the Holiday Bowl.

The Holiday Bowl in San Diego on Dec. 21, a bowl with a proud history dating all the way back to 1973, a bowl that traditionally matches the champion of the powerful Western Athletic Conference with some team that's been shut out everywhere else, a bowl that by now you have no doubt come to love. If you've heard of it.

And on what television network will Americans watch that beauty of a game? ABC? CBS? NBC? Does the name Mizlou mean anything to you?

Yes, friends, 1984's college championship might be decided on Mizlou, an independent network named for Louise Piano, wife of the network's owner, Vic Piano. Miss Louise — get it? Mizlou.

As they say in Provo, Utah, come heck or high water BYU will play in the Holiday Bowl. As WAC champion, the school is pleased as punch to play there. It ought to be, since it's played in all seven of them so far. Brigham Young University is the Holiday Bowl.

"Before the Holiday Bowl came along, we didn't have any place to go," said BYU sports information director, Dave Schulthess. "We feel a real allegiance to the Holiday Bowl."

That's great. I like loyalty.

But I'd also like to see the country's No. 1 college football team play in a bowl game I can get on my TV set without buying a special antenna. So I asked Howard David, senior vice president at Mizlou, what chance there was of a major network's coming up with a deal to buy the rights to

the Holiday Bowl, and either change the date or guarantee that BYU's as yet unnamed opponent would be of bowl-game caliber.

"Slim and none," said David. "And Slim just left town."

How about Mizlou moving the game to, say, New Year's Day, so it at least feels like a national championship game? "It can't be done," David said. "We've cleared the time on our stations for prime time on Dec. 21. We've sold 80 percent of our advertising already, and we expect to be sold out by kickoff."

Then how about kicking in more money, boosting it from \$470,000 per team to the \$1.1 million per for the Fiesta Bowl, or the \$2 million for the Sugar, Cotton and Orange Bowls, or the \$3.5 million for the Rose Bowls? That way some truly good team might want to play BYU.

"The Holiday Bowl came to us and asked us to do that," David said. "But we can't. We've already sold the advertising. We can't change the ad rates at this date any more than the Holiday Bowl could call back the tickets they've already sold and resell them at triple the price."

So what can you do? "Nothing," David said.

"We're very happy to be telecasting the game," he said. "But we're not going to be telecasting a network to try to buy Mizlou out. If a network comes to us and wants to buy us out," David said, "we'll tell them the price is \$50 million. Now, you might ask, 'Isn't that a bit high?' And I would tell you, 'That's a lot high. That's absurdly high.' But that's what it would take to pay for the lawsuits we'll get from our affiliates if we move the game."

Anyway, the question is moot. Mizlou hasn't gotten any feelers.

Spokesmen for ABC, NBC and CBS said last week they aren't interested in the Holiday Bowl, not even with the No. 1 ranking hanging in the balance. It would be too much trouble and too expensive to juggle the bowl schedule around to accommodate the game. They're already flush.

So if BYU is No. 1 going into the bowls, Mizlou has the country's top team on ice. The national championship could be decided by midnight on Dec. 21. Then the only real reason to watch the New Year's Day games would be to avoid shoveling snow.

Spain Easy Victor in World Cup Golf

Compiled by Our Staff From Dispatches

ROME — Led by José-Maria Canizares's four-under-par 68 and José Rivero's 70, Spain ran away from the field to win the World Cup golf championship by eight strokes here Sunday.

Canizares also won the trophy for the lowest individual score; he finished with an 11-under-par 205, two shots better than Gordano Brand of Scotland on the rain-saturated 7,035-yard (6,396-metre) Olgiata course.

Spain's three-round total was 18-under-par 414; the first round was washed out by a thunderstorm. Taiwan shared second place with Scotland at 32.

Wales and England tied for fourth, at 425, three shots ahead of South Korea. Italy (429), Ireland (430), and

Japan (431), finished seventh, eighth and ninth.

Sweden tied with Singapore for 10th at 433.

Lanny Wadkins and Tom Kite were completely overshadowed throughout the event, finishing 70 and 72, respectively, to give the United States a share of 12th place with Argentina.

Wadkins was late in finding his form, recording four birdies in the last 14 holes, while Kite had one birdie and one bogey in a tidy but uneventful final round.

Ian Woosnam of Wales, with a 66 on Saturday and a 70 Sunday, tied Rivero for third on the individual list at 7-under 209.

Spain has won the tournament four times in the last eight years. Canizares, 37, was a member of Spain's last victorious team, in

1982 in Acapulco, when he teamed with Manuel Piñero.

"The money is good for the players as professionals," said Canizares of said the \$30,000 for each member of the winning side and the \$25,000 for low individual score. "But the title is more important for the team and for Spain. It will encourage people at home to play."

Spain started the final day of play two shots ahead of Scotland, the first-day leader.

Canizares, considered on the European tour as a low-scoring specialist, had two birdies and a 25-foot eagle at the 489-yard fifth hole in a four-below-par outward 32.

With Rivero out in 35, Spain was firmly in command, and the pair never lost their grip on the back nine. (Reuters, UPI)

SCOREBOARD

Hockey

NHL Standings

WALES CONFERENCE													
Patrick Division													
	W	L	T	Pts	GF	GA		W	L	T	Pts	GF	GA
Philadelphia	11	3	2	24	80	42	Pittsburgh	10	7	1	21	68	57
N.Y. Islanders	10	7	0	20	92	79	Washington	6	6	4	16	58	57
Washington	6	6	4	16	58	57	N.Y. Rangers	7	7	1	15	73	69
N.Y. Rangers	7	7	1	15	73	69	Pittsburgh	6	9	1	13	61	67
Pittsburgh	6	9	1	13	61	67	New Jersey	2	10	2	6	47	68
New Jersey	2	10	2	6	47	68							

N.Y. Rangers	7	7	1	15	73	69	Ottawa	2	11	1	5	44	72
Pittsburgh	6	9	1	13	61	71	lowis (B)	10	7	1	21	68	57
New Jersey	3	10	2	0	47	68	Detroit	10	7	1	21	68	57
Adams Division													
Montreal	11	3	2	24	62	42	to (an	10	7	1	21	68	57
Boston	10	7	1	21	68	57	Toronto	9	7	2	20	75	64
Buffalo	9	7	2	20	75	64	Steele	7	9	2	16	51	64
Hartford	7	9	2	16	51	72	Lake	2	11	1	5	44	72

Marina	7	0	2	18	31	72	Lufkin	7	0	2	18	31	72
Quebec	7	0	1	15	64	72	Lafayette	7	0	1	15	64	72
CAMPBELL CONFERENCE													
Marlin Division													
Chicago	9	8	2	20	80	66	Baytown	9	8	2	20	80	66
St. Louis	7	8	1	15	57	62	Wichita	7	8	1	15	57	62
Minnesota	4	9	5	13	62	79	Corpus Christi	4	9	5	13	62	79
Detroit	4	11	2	10	61	78	Sellers	4	11	2	10	61	78

Detroit	4	11	2	10	81	78	San Jose	2	1	3	4	2	1
Toronto	2	11	3	9	52	79	Los Angeles	1	1	1	2	1	1
							Edmonton	1	1	1	2	1	1
							Calgary	1	1	1	2	1	1
							Los Angeles	1	1	1	2	1	1
							Edmonton	1	1	1	2	1	1
							Calgary	1	1	1	2	1	1
							Los Angeles	1	1	1	2	1	1
							Edmonton	1	1	1	2	1	1
							Calgary	1	1	1	2	1	1
							Los Angeles	1	1	1	2	1	1
							Edmonton	1	1	1	2	1	1
							Calgary	1	1	1	2	1	1
							Los Angeles	1	1	1	2	1	1
							Edmonton	1	1	1	2	1	1
							Calgary	1	1	1	2	1	1
							Los Angeles	1	1	1	2	1	1
							Edmonton	1	1	1	2	1	1
							Calgary	1	1	1	2	1	1
							Los Angeles	1	1	1	2	1	1
							Edmonton	1	1	1	2	1	1
							Calgary	1	1	1	2	1	1
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							Calgary	1	1	1	2	1	1
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							Calgary	1	1	1	2	1	1
							Los Angeles	1	1	1	2	1	1
							Edmonton	1	1	1	2	1	1
							Calgary	1	1	1	2	1	1
							Los Angeles	1	1	1	2	1	1
							Edmonton	1					

FRIDAY'S RESULTS										8-28
Pittsburgh	2	1	3	4						Vancouver
Vancouver	2	3	2	7						Edmonton
Lemay (7), MacAdam (4), Butcher (11), Tanti (10), Gradin (7), McNab (3), Sundstrom 14; Shadden (4), Badger (3), Young (14), Bo- lovich (3), Bufford (7), Lemieux (4). Shots an- noted: Pittsburgh (on Caprice) 13-11-8-32;										Carter D. Hays Shofa Edmond Chalmers

FRIDAY'S RESULTS													
Pittsburgh	2	1	3	4	2	1	San Jose	2	1	3	4	2	1
San Jose	2	1	3	4	2	1	Los Angeles	1	1	1	2	1	1
Los Angeles	1	1	1	2	1	1	Edmonton	1	1	1	2	1	1
Edmonton	1	1	1	2	1	1	Calgary	1	1	1	2	1	1
Calgary	1	1	1	2	1	1	Los Angeles	1	1	1	2	1	1
Los Angeles	1	1	1	2	1	1	Washington	4	13	2	10	64	114
Washington	4	13	2	10	64	114							

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Washington 7 1 1 3
Buffalo 1 1 3

Sellina 161, Hall (3), Peterson 14; Carpenter (10), Carpenter 1111. Shots on goal: Washington (on Sauve) 12-5-8-25; Buffalo (on Riggin) 6-9-4-21.

